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NEWS SUMMARY

GENERAL

Israel to pull out on June 13

Israel will pull its forces out of Southern Lebanon by June 13, the Begin Government announced yesterday. Mr. Ezer Weizman, Defence Minister, and Lieutenant-General Rafael Eitan, Chief of Staff, are to work out details of the withdrawal with United Nations staff.

The Sons of Lebanon Organisation, a previously-unknown group, claimed responsibility for Saturday's attack at Orly Airport, Paris, in which a French policeman and three guerrillas died. It said that its target was a group of Israeli army officers, about to board an El Al flight for Israel. **Page 3**

Steel's limit

Mr. David Steel, the Liberal Leader, warned the Prime Minister that there was no prospect of renewing the Lib-Lab pact beyond the summer. But the Liberals would not withdraw from the agreement before the summer recess at the end of July. **Back Page**

Blacks arrested

Rhodesian police arrested 84 blacks after violence erupted between supporters of the rival nationalist movements led by the Rev. N. Sithole and Bishop Abel Muzorewa in Salisbury's main black township. **Page 2**

Kent coast hit

Oil from the wrecked Greek tanker Eleni V started coming ashore at Margate, Cliftonville and Broadstairs. A five-mile slick was spotted near the Goodwin Sands, drifting north about two miles off the Kent coast. Thanet Council promised: "It should not be too difficult to clear. We will have the beaches clean for next week-end's Bank Holiday."

Lotus victory

Mario Andretti of the U.S. went to the top of the world drivers' championship after winning the Belgian Grand Prix in a Lotus, with his team-mate Ronnie Peterson of Sweden, second. Ferraris took third and fourth places, with Argentina's Carlos Reutemann ahead of Gilles Villeneuve of Canada.

Black-out defied

The Rome newspaper Il Messagero defied an official news black-out and published part of a message claiming to be from the Red Brigades, murderers of ex-Premier Aldo Moro. It said that Christian Democrat leaders would be "neutralised with efficiency at the right time."

Pedal power test

A retired rear-admiral plans to make the first man-powered flight across the English Channel next year in a two-seat pedal flying machine. Admiral Nicholas Goodhart, 58, who invented the mirror-deck landing system for aircraft carriers during the Second World War, starts trials on his Newbury Manflyer this week.

Briefly . . .

Two Soviet United Nations officials were arrested in New York on spy charges and will appear in court on May 30, said the Federal Bureau of Investigation. **Page 2**

Cargo ship anchored in Falmouth harbour, Cornwall, was boarded by police investigating a suspected mutiny by the mainly Asian crew.

South Pole had its warmest April on record, with average temperature of minus 50 C.

Premium Bond £50,000 prize goes to Wandsworth, London holder of No. 2KZ 158400.

Birmingham policeman died in hospital after two panda cars collided.

Two teenage Army cadets were drowned in a swimming race at Loch Morlich, near Aviemore, Scotland.

BUSINESS

Britain to keep IMF credit

● **THE GOVERNMENT** is to retain the $4.1bn standby credit from the International Monetary Fund until January 2 next year—the date originally set for its termination. Treasury officials are thought to have agreed new terms for the credit with an IMF team in London. **Back Page**

● **BRITISH LEYLAND** is pressing ahead with plans for a new £27m aluminium foundry and is holding talks with private sector companies about funding the project. Birmid Qualcast may be a partner in the scheme. **Back Page**

● **INFLATION** higher than the Government's estimated 7 per cent is forecast by the Charterhouse Group. As a result, there would be a £1bn increase in tax revenue, which would reduce the public sector borrowing requirement from the forecast £8.5bn to nearer £7bn. The group's estimates contrast sharply with other City commentators' fears that the Government would exceed its expected borrowing requirement. **Page 6**

● **PLANS** for strike action on construction sites in protest against a pay offer have been countered by the largest union involved in the building and civil engineering national agreement. The Union of Construction, Allied Trades and Technicians has instructed members to stay at work and ignore action planned by the Transport and General Workers' Union. **Page 5**

● **INVESTMENT** of about £200m is planned by the National Coal Board for colliery developments. These include a new "super pit" in South Wales, an undersea pit in Scotland, and many developments to existing pits. About 3,000 mineworkers will be employed at the new collieries. **Page 4**

NGA warning to members

● **FOURTEEN** print workers who refused at the weekend to report for work at The Observer will face disciplinary measures by their union and the loss of all their Fleet Street work, the National Graphical Association's governing council has warned. **Page 5**

● **PEOPLE** are now slightly more cautious about the future than they were immediately after the Spring Budget, according to a survey of consumer confidence carried out for the Financial Times. But long-term trends point to a further rise in consumer spending later this year. *Page 5*

● **FURTHER** deterioration of corporate profits growth among industrial companies during the first 10 months of last year is shown in the latest Financial Times survey. Trading profits of 177 companies covered increased on average by 18½ per cent. **Page 6**

CBI move on form-filling

● **THE CBI** has called for the setting up of a standing committee to watch over the Government's collection of information. The move follows complaints from trade and industry about the quantity of form-filling needed at present to supply official statistical data. **Page 5**

● **PROPOSALS** to cut the number of statistics issued with monthly UK vehicle registration figures are being considered by the Society of Motor Manufacturers and Traders. **Page 5**

● **SHOP STEWARDS** representing 45,000 Imperial Chemical Industries process workers have rejected a pay offer on the eve of resumed national wage talks in London. **Page 5**

● **NATIONAL SAVINGS** increased in the five weeks to the start of this month to £137.4m. **Page 4**

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FEATURES

REFUGEES TELL OF WIDESPREAD KILLINGS

Paratroopers have gained full control of Kolwezi

By ROBERT MAUTHNER, Paris, and MARK WEBSTER, Kinshasa

Reports from French and Belgian troops in Kolwezi yesterday suggested that they had regained control of the town from rebel forces.

More than half the estimated white population of 3,000 in the southern Zaire province of Shaba are expected to be back in Europe by this morning.

Yesterday the French Defence Ministry said French paratroopers had wiped out the last big pocket of rebel resistance in Kolwezi by occupying a factory where 200 rebels were holding out.

The Ministry said the French troops, in co-operation with the Belgian paratroopers who followed them into the town late on Friday, were searching outlying areas for remaining Europeans. Two paratroopers were killed and several injured.

Yesterday France was still playing down differences over the timing of the initial French paratroop drop early on Friday. But Belgian officials repeated that the French had "wider terms of reference." As far as Belgium was concerned, the humanitarian evacuation would be ended within 72 hours, or by tomorrow morning.

Reports reaching Kinshasa from Kolwezi speak of mass killings and looting. European refugees said although there had been many Zairean casualties, whites had been sought out by the rebels—whether in reprisal for European intervention against the rebellion is not clear.

There have been widespread allegations of brutality on the part of the French paratroopers. The crack Foreign Legionnaires wasted no time in establishing their presence in the town. "They didn't stop to ask who was a rebel and who a bystander" said one of the Belgian refugees.

It was not clear in Kinshasa last night what happened to the rebels. Some reports told of a relatively orderly withdrawal of the main body of troops on Friday, about the time of the French paratroop drop. Another report said the rebel force left in about 70 trucks and other vehicles.

Copper mines out of action for weeks and other news Page 2

Other reports suggested that some of the rebels—believed to belong to the exiled Congo National Liberation Front—had taken off their uniforms. That might explain the existence of pockets of resistance, although the rebels, from the main Shaba tribe, the Lunda, might have had considerable local support.

Kolwezi apparently suffered heavy bombing by the Zaire Air Force and parts of it are destroyed. Other parts suffered only small arms fire. The vital mining installations of the State-owned Gecamines are said to be intact.

It might be many months before they can be reactivated, however. The installations are said to be flooded. The operation will clearly suffer from the exodus of European technicians. Kolwezi is the Western headquarters of Gecamines, and accounts for about half of Zaire's copper production.

Diplomats in Kinshasa remain cautious about the identity of the rebels, as well as the aid they might have received from foreign sources. According to the official news agency Azap, President Mobutu Sese Soko said yesterday that he had direct evidence—including orders to the rebels being given in Spanish—of Cuban involvement. This has been denied by the Cubans.

It was not clear in Kinshasa whether the rebels still controlled Mutshatsha, a railway town west of Kolwezi. Neither was there confirmation that the rebels have hostages, although Belgian officials apparently believe that seven French officers who were training the Zaire army are held. Observers in Kinshasa last night said that French troops were pursuing remaining rebel troops and searching for hostages.

Europeans volunteer to stay behind

BY OUR FOREIGN STAFF

EUROPEAN REFUGEES from Kolwezi arrived in Kinshasa and Brussels yesterday with harrowing tales of systematic and widespread killing by rebel forces.

At Brussels King Baudouin awaited the survivors. Many of the exhausted passengers, mostly Belgian but also French, Italian, Greek and British, left behind relatives who were either dead or missing.

Some Europeans have volunteered to stay in Kolwezi, where the killing of civilians started on Wednesday. French paratroopers landed in the town early on Friday. Belgian troops secured the airport on the same night.

The refugees spoke of systematic killing, rape, the mutilation of bodies and, in one case, of 33 whites including women and children being herded into a tiny room and machine-gunned to death.

Child shot

Reporters who visited Kolwezi on Saturday were taken to the scene. Corpses lay in a tangled heap. A child of about three had been shot in the head.

Most of the refugees blamed the rebels for the atrocities but there were persistent reports from Kolwezi that some of the killing had been carried out by soldiers of the Zaire army. These could not be confirmed.

Reuter reported from the nearby town of Kamina that Belgian officers said unruly French paratroops killed six fleeing whites in Kolwezi. The officers, one a paratrooper and the other an air force man, said the dead were five Rhodesians and one Belgian.

One of two British plumbers who survived the massacre of Europeans said he had stood hiding in the hallway of a house while rebel troops dragged people out.

Mr. Mike Brian, who was working with a Belgian company said: "There were women and children screaming. The rebels threw two bombs in through the window. There were lots of screams and shouts and pleas for mercy. Then there were single shots from a rifle." The bodies of 33 Europeans and Zaireans were later found in the house.

Mr. Brian said he and another Englishman were taken prisoner by the rebels and kept in a former army barracks for two days until the

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EEC backs British call on reflation

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, May 21.

THE BRITISH Government's efforts to persuade its EEC partners to agree on a programme of concerted reflationary measures, to which countries with strong payments positions would make the biggest contributions, have received the backing of the European Commission.

In a paper to be discussed by EEC Finance Ministers in Brussels to-morrow, M. Francois-Xavier Ortoli, Commissioner for Economic Affairs, argues that by acting together, the Nine could achieve perceptibly faster growth with less Budgetary and payments strains than if each country acted in isolation.

The paper, drawn up in close consultation with each of the Ministers, suggests that Britain could take some modest additional measures to stimulate its economy towards the end of this year if a joint programme were agreed.

But there would be no room for further reflation in the UK this year without such an agreement.

The Commission forecasts that if present policies remain unchanged, the EEC's average growth rate will be between 3 and 3.5 per cent. in the middle of next year.

This is far short of the 4.5 per cent target set by heads of Governments of the EEC when they met in Copenhagen early last month.

Manoeuvre

The paper attempts only a broad assessment of the relative contribution which each country could make to a co-ordinated reflation programme, listing them in descending order according to their "room for manoeuvre."

Not surprisingly, the list is headed by West Germany, followed by the Benelux countries, with Italy at the bottom.

No effort is made, however, to specify the level of growth for which each country should aim, or the kind of policies needed to produce it. This would be the subject of delicate negotiation during the coming weeks.

The commission hopes that the Finance Ministers will accept the paper as a basis for preparations for the next meeting of EEC heads of government in Bremen on July 6 and 7.

The EEC expects to decide then on the main elements of the contribution it will make to the broad package of economic measures which, it is hoped, will be endorsed at the seven-nation Western summit in Bonn two weeks later.

Jonathan Carr writes from Bonn: The West German Government is preparing to go for a more expansionary budget next year, on grounds that the economy is likely to require an additional boost.

Dr. Armin Gruenewald, Government spokesman, said in an interview this weekend that the Cabinet would discuss the 1979 Budget on June 7 and 21 on the basis of a "scrupulous analysis of economic conditions."

He noted that the Government's medium-term finance planning provided for 6 per cent budgetary growth in 1979—but this figure had been set well before the exact course of the economy could be assessed.

It could now be that greater expansion would be needed, together with an emphasis on investment in favour of future growth areas.

Dr. Gruenewald's remarks all concerned 1979, but it is clear that in its analysis the Government is bound to consider what basis there may be for an earlier economic boost.

Banks to study disclosure

BY MICHAEL LAFFERTY

BRITAIN'S big clearing banks are planning to set up a top level committee to review their existing accounting and disclosure policies. The decision comes only a month after the Price Commission recommended that the clearers should make full disclosure of their profits and reserves.

It also coincides with the withdrawal by the clearing banks of their objections and demands for special-case treatment under a proposed accounting standard on taxation. The banks originally thought application of the standard would enable outsiders to work out the amount of their general provisions for bad and doubtful debts.

These have always been a closely guarded secret, although it is said that their level is usually set at 1-1½ per cent of loans at risk.

It now seems that after several months of discussion the bankers have found a way which they believe gets them round the difficulty posed by the draft accounting rule, while at the same time giving nothing away.

This "solution" appears to have the informal approval of the clearers' auditors. Consequently, the banks will not receive qualified audit reports for failure to comply with an accounting standard.

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Healey calls for restraint after Stage Three ends

BY PHILIP BASSETT, LABOUR STAFF

LABOUR'S GENERAL election plans and its desire for union co-operation for a fourth round of wage restraint were firmly linked yesterday by Mr. Denis Healey, Chancellor of the Exchequer.

He told 1,700 delegates from the Union of Post Office Workers at a pre-conference rally in Blackpool that the Government and the unions must find an answer to the problem of controlling earnings levels by the end of Stage Three in nine week's time.

Mr. Denis Healey:
We must find honest answers

Unions warning

The election would be held "in the near future," he said.

Trade union activists, however, and a number of union general secretaries, including Mr. Moss Evans of the Transport Workers and Mr. Joe Gormley of the miners' union have warned the Government that to continue the present unilateral incomes policy into the next wage round will hurt Labour's chances at the polls.

Because of uncertainty surrounding the next wage policy and the prospect of an election this year, there is a movement within the UPW to postpone decisions on pay until later in the year. The conference will this week consider an emergency motion calling for a special conference before their next settlement on January 1, 1979.

Mr. Healey said that the forthcoming election was going to be "very important indeed." In an appeal for wage moderation before the election he said: "I believe that we can win this election, but we can only win it if those men and women throughout the country, and particularly those in the trade union movement, who showed common sense and patriotism through the most difficult times can show the same common sense and patriotism when things are getting a little better."

He added: "We must come out with an answer which is honest, which makes sense and which will work over the next 12 months.

"We are going to have some pretty fierce arguments on it but if we are concerned with keeping inflation down we ought to be able to find an answer that works even if it is not a perfect one. It is very, very important that we find an answer by August."

If the Government and the unions wanted to keep inflation down, they should decide how much wage costs could rise next year and how they could make sure that under collective bargaining there was enough flexibility to deal with the wage anomalies that had developed in the last three years of pay policy.

They must ensure that the public sector got a fair deal, and in particular those areas of it where it was difficult to make productivity agreements.

Inflation fall

Mr. Healey told the union that "a superb job" had been made of keeping increases in wage costs down in the last 12 months. As a result of that and the rise in the pound, inflation had fallen to well over half of what it was at the beginning of the pay round last August.

People must also "buy British, sell British and make British best" this year to reduce unemployment and keep inflation down. If the £2,000m now reaching wage packets after the Budget went on British goods, it would create more jobs. If it went on foreign goods all it would do would be to create jobs in Japan, Germany, France and Italy.

Vauxhall plans to produce British version of Rekord

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL MOTORS, the UK subsidiary of General Motors, is planning to invest in production facilities to build a British version of the Opel Rekord, the large executive saloon introduced last year by its sister company in Germany.

It is expected that the new car will be produced at Vauxhall's Ellesmere Port plant, which is making part of the Chevette range and the Viva, which is nearing the end of its long life.

The company hopes to start work on changing the production lines in the three-week summer break due at the end of July, with the intention of launching the car late this year. The styling of the new model is likely to be different from that of the Opel version, but they will share many components.

Although Vauxhall has not confirmed these plans, they are being widely discussed in the industry, which sees them as a significant step forward in General Motors' drive to expand its sales in Europe.

The Detroit-based group has made it clear in recent months that it is seeking a great deal of new growth outside the U.S., where anti-trust regulations have ruled out most possibilities for expansion.

Facilities

Because of this new emphasis on overseas activities General Motors is expected to concentrate its attention on Western Europe.

Among long-term possibilities examined by the company are plans to introduce a Mini-type car, and to develop production facilities in the region. It is pushing ahead with the development of its present factories in the meantime.

Opel has embarked on a large investment programme designed to reduce bottlenecks. Vauxhall, which also owns the Bedford commercial business, is gradually increasing production to use more of its capacity. Last year it made only about 235,000 cars and commercial vehicles against a potential of about 400,000 units.

Vauxhall's growth was dogged by labour trouble last year, which destroyed the company's hopes of making a profit. But it is proceeding with a gradual expansion of its workforce, which has grown by about 4,500 in the past 16 months to 33,000.

It has introduced double-shift working at Ellesmere Port and the Dunstable truck plant, and will start a second shift at the main Luton plant to-day.

Vehicle statistics "disclose too much," Page 5

OVERSEAS NEWS

Zaire copper mines out of action 'for weeks'

BY PAUL CHEESERIGHT

THE flight of foreign technicians from Shaba suggests that the copper and cobalt mines in the Kolwezi region will be closed for at least several weeks. The fighting of the last few days has not only checked production but inevitably retarded the extensive development programme of Gecamines, the state group which owns the mines.

Neither the mines nor the processing facilities associated with them can work without foreign technicians and, according to Belgian industry sources, production stopped some time last week when personal safety became the main objective of the technicians.

At this stage, information is sketchy but if any foreign technicians remain at the mines, then they will be able to do little more than "preserve the tools" as one Belgian mining man put it. During previous disturbances in the area, a few foreign technicians have always remained behind.

The exact time it will take to bring the mines back to production when stability returns to the region is not known. There has been some damage done to processing plants but reports of the mines being flooded are discounted.

It is pointed out that the mines in the Kolwezi area are of the open pit variety—huge holes in the ground rather than a maze of tunnels under the surface. In only one mine is there any underground development and it is here that flooding could have occurred.

Electricity supplies were cut last week thus depriving the pumps at this development of the necessary fuel to keep going.

Kolwezi is the centre of a major expansion plan for Gecamines. The plan runs to the end of the decade and although it has been falling behind schedule for some time, because of difficulties in obtaining supplies, it had been intended to raise Gecamines' annual production to 570,000 tonnes of copper by 1979.

But the closure of the mines in the Kolwezi area does not mean that Zaire will have no copper to push on to the international market. The area is one of the three where Gecamines has mines and the other two are still producing normally.

At the same time the Zaire Government has a joint venture with a Japanese consortium, called Codemiza, and output from there has not been affected.

Although copper prices have strengthened since the first news of the Shaba fighting, and at around £720 a tonne is £100 more than at the beginning of February, there are enough stocks available worldwide for the impact of the events in Kolwezi on the copper market to be fairly muted.

The situation is different for Cobalt where an existing international shortage is being exacerbated to the extent that prices on the free market have been triple those charged by the producers.

E. Germany denies backing insurgent forces in Shaba

BY OUR FOREIGN STAFF

DESPITE an increasing role in Africa the East German Foreign Ministry today described a report in a British newspaper that East Berlin was providing military backing to Zairean rebels as a bare-faced lie.

The Observer newspaper said the East Germans were masterminding the rebellion in Shaba, apparently to stop tests there by a West German rocket company to launch spy satellites.

East Germany had been chosen by the Warsaw Pact powers to destabilise the Zaire Government of President Mobutu Sese Seko two years ago, the report said.

Zaire broke off diplomatic relations with East Germany in May last year, accusing it of involvement in an earlier attack on Shaba.

Leslie Colitt reports: East Germany and the People's Republic of the Congo, which borders on Angola and Zaire, have pledged to increase co-operation in the "anti-imperialist front" and between "our countries and our people's armies." This outcome of last week's visit to Congo Brazzaville by East Germany's Defence Minister, General Heinz Hoffmann, is one illustration of East Germany's new role in Africa.

The East Germans have increasingly been assigned the role by Moscow of executing Soviet policy in Africa while the Russians themselves maintain a much lower profile. While Cuba has taken over military operations for the Soviets, first in Angola and now in Ethiopia, East Germany is providing both ideological and material support for African revolutionary and guerrilla movements. The bulk of the help from East Germany, according to East European sources in East Berlin, is non-military such as educational programmes for gifted young Africans, technical assistance and medical aid. More recently however East Germany has also started up a military assistance programme that stresses the training of officers for a number of African countries including Congo Brazzaville.

The East Germans have profited from both pre-war African scholarship in Germany and the relatively untainted German record in much of Africa as a non-colonial power. In addition the East Germans, defeated in war and politically isolated for years, have sought long and hard for friends and found them among the downtrodden of Africa.

Tens of thousands of Africans have learned reading and skills from East German textbooks and long ago East Germany began inviting representatives of black African liberation movements for special studies and health cures in East Germany.

CUBA HAS said that it had no links with rebel forces fighting in Shaba. Cuba had not trained the rebels, had not given them equipment and had taken no part in their actions, a Government announcement at the weekend said.

Allegations by Zaire of Cuban involvement in the Shaba fighting were false and there were no Cuban troops or specialists in Zaire, it added.

President Mobutu Sese Seko has recalled Zaire's ambassadors to Algeria and Libya. The two countries, along with Cuba and the Soviet Union, have been accused by Kinshasa of backing the rebels.

Dr. David Owen, the British Foreign Secretary, said yesterday that there was no very firm evidence of Cuban or East German support for the Angolan rebels. But he added: "There are some stories of involvement which have not been confirmed, but there are a large number of Cubans in Angola and it would not be at all surprising to find that they had some involvement in the backup and support."

France sticks to its guns

By Our Own Correspondent

NYBORG, Denmark, May 21.

THE French Foreign Minister, M. Louis de Guiringaud, assured his EEC colleagues this weekend that France's military intervention to evacuate Europeans trapped by fighting in Zaire's Shaba Province was of limited duration and would soon be drawn to a close.

But he is understood to have made no concessions to other governments' thinly disguised reservations about the way in which the operation has been conducted. Nor did he seek to dispel the impression that it was at least partly intended as a display of solidarity with the controversial regime of President Mobutu Sese Seko.

According to officials attending a private weekend meeting of EEC Foreign Ministers here, other delegations did not criticise the French action directly. But the extent of differences between the Nine was sharply underlined by the absense of the Belgian Minister, M. Henri Simonet. Officially, he was detained in Brussels by urgent consultations on the evacuation. But there were strong hints that M. Simonet was not keen to meet M. de Guiringaud face to face while the Belgian government remained deeply angered by France's failure to consult it before sending paratroopers to Zaire. The British government, represented at the meeting by Dr. David Owen, the Foreign Secretary, is also believed to harbour reservations about the French action and particularly about the wisdom of appearing to rally to the support of the Mobutu regime.

French troops fighting in Chad war

By Robert Mauthner

PARIS, May 21.

PRESIDENT FELIX MALLOUM of Chad confirmed here to-day that French troops are taking part in the fighting against Libyan-backed rebels in northern Chad and were no longer there just in an advisory capacity.

On his arrival here for a 21-nation Franco-African summit conference, which opens tomorrow, General Malloum said that the situation in his country was still very worrying and that France was the only country which had so far responded to his call for military aid.

Chad government forces, backed by some 1,700 French troops and military advisers and ten Jaguar ground support aircraft, are currently involved in heavy fighting with rebels of the Frolinot National Liberation Front, who have made substantial territorial gains over the past few weeks.

The Queen begins W. German visit today

BY JONATHAN CARR

BONN, May 21.

BRITAIN'S Queen Elizabeth arrives here tomorrow for her second State visit to West Germany—an event likely to emphasise how far relations between the two countries have developed on a more normal and friendly footing.

The Queen's first visit here in 1965 was an occasion not just of public enthusiasm but was also seen as a sign of reconciliation between the two peoples after the war.

The enthusiasm is still present. The flags are flying, the papers are full of details about the Royal Family, and television is planning extensive daily coverage. Furthermore, the West German authorities have agreed to relax security somewhat so that the Queen will be able to "meet the crowds" during her stopovers.

However, even though political relations have become normal this does not, of course rule out differences of view. The British Foreign Secretary, Dr. David Owen, who is accompanying the Queen and the Duke of Edinburgh, will no doubt be discussing some of those differences with his opposite number, Herr Hans-Dietrich Genscher, over the next few days.

The Queen's five-day visit begins tomorrow with a luncheon with President Walter Scheel, followed by a visit to the Bonn Town Hall and a state dinner in the evening at Schloss Bruehl near Bonn.

One of the high-points will be a visit to West Berlin on Wednesday, during which the Queen will take the salute at her birthday parade there. Chancellor Helmut Schmidt will accompany the Queen on her Berlin visit, a fact which is understood to have annoyed the Russians in view of the city's special four-power status.

Other key stops will be in Mainz, capital of the state of Rhineland Palatinate, to Kiel, capital of the northernmost state of Schleswig Holstein, and to the city state of Bremen. The Duke will be making a separate visit to Garching, near Munich, site of construction of the Tornado combat aircraft, which has Rolls-Royce engines.

New York City fails to meet deadline

By John Wyles

NEW YORK, May 21.

NEW YORK CITY'S self-imposed deadline for presenting an orderly financial house to the U.S. Congress passed on Saturday with none of the city's newest objectives achieved.

It is now not clear whether Senator William Proxmire, chairman of the Senate Banking Committee, will hold hearings on Wednesday into the Carter Administration's plan to give New York $2bn of 15-year loan guarantees.

If Senator Proxmire does delay the hearings it may be very difficult for Congress to approve the Administration's plan by June 30. This is when the existing federal aid programme expires, and with nothing to replace it New York City could slide into bankruptcy by late summer.

The passage of Saturday's deadline has done nothing for the credibility of New York State Governor Hugh Carey and the city's Mayor, Mr. Edward Koch. The two leaders told Mr. Michael Blumenthal, the U.S. Treasury Secretary, 10 days ago that the financial package would be assembled by May 20.

Essentially they had to achieve five goals: an agreement with the municipal unions on a new two-year pay and conditions contract; legislation to extend the life of the emergency watchdog Financial Control Board; legislation to extend the borrowing authority of the Municipal Assistance Corporation (MAC); undertakings from city banks and insurance companies to participate in a $4.5bn. long-term financing programme; and payment of $683m. by five New York City pension systems into the city's Treasury in return for city notes.

The legislative procedures covering the Financial Control Board and MAC are being sorted out in the State capital and the pay negotiators are expected to try to reach a settlement by Wednesday, the absolute deadline for Senator Proxmire.

Iran threatens halt to economic aid if Bhutto is executed

BY ANDREW WHITLEY

TEHRAN, May 21.

IRAN has threatened to cut off economic aid to Pakistan, worth between $200m and $300m a year, if the death sentence on Mr. Zulfiqar Ali Bhutto, the former Prime Minister, is carried out. This was disclosed by official sources immediately before Pakistan's Supreme Court began hearing Mr. Bhutto's appeal, yesterday.

Diplomatic sources here confirm that considerable pressure is being put on Pakistan's military ruler, General Zia ul-Haq, from Iran as well as from Western countries. Iran has publicly appealed for clemency for Mr. Bhutto, and the Government has acknowledgd that there have also been "amicable contacts" between the two countries over his case.

A senior member of Pakistan's ruling military council, Air Marshal Zulfigar Ali Khan, flew to Tehran today on an unscheduled visit and held talks with Dr. Jamshid Amouzegar, Iran's Prime Minister. The subject of the discussions has not been disclosed, but they are thought to have centred on the threat to cut off aid.

A request for further assistance was made during a visit to Tehran 10 days ago, of Mr. Agha Shahi, Pakistan's senior foreign affairs official, according to diplomatic sources. They say the Shah is holding up the request pending the outcome of the Bhutto case.

Observers believe the Shah is concerned about the stability of Iran's eastern neighbour. The Afghan coup has heightened fears here about the possibility of separatist movements among the Pathan and Baluch people of Pakistan. The Shah probably feels that the execution of Mr. Bhutto would aggravate Pakistan's internal tensions.

Simon Henderson reports from Rawalpindi: The Chief Justice of Pakistan, Mr. Justice Anwar al-Haq, has ordered that the conditions of Mr. Bhutto, should be improved after hearing that he was on a hunger strike. Mr. Bhutto's lawyer said yesterday that the former Prime Minister was being kept with inadequate privacy in a cell where he could not control the light or fan and could only exercise in the corridor. Mr. Bhutto was refusing all food except tea, water, soft drink, and cigars.

The authorities have denied the allegation of bad conditions but the Chief Justice, ordered that steps be taken to see that the complaints did not continue.

Mr. Bhutto is being held in Rawalpindi district jail while his appeal against death sentence and conviction in a case of political murder is heard in the Supreme Court here. The hearing, which opened yesterday, is expected to go on for more than six weeks.

Iqbal Mirza reports from Karachi: The World Bank aid to Pakistan consortium will meet in Paris from May 31 to June 2 to consider Pakistan's request for foreign assistance for 1978-79. Pakistan has already circulated a document giving details of its requirements.

The annual plan co-ordination committee yesterday undertook an exhaustive review of the country's economy and its performance particularly during 1977-78. The meeting evaluated the position of domestic and foreign resources which might be available to finance next year's development programme. In particular, the meeting considered sectors of the economy which could produce good results in the short to medium term to meet the requirements for essential consumer items and to enhance exports.

Britain calls for closer EEC links with Turkey

BY OUR COMMON MARKET CORRESPONDENT

NYBORG, Denmark, May 21.

BRITAIN has called on its EEC partners to reinforce their joint political and economic links with Turkey to prevent a further deterioration in the already strained relations with Ankara after Greece joins the Community.

Dr. David Owen, the Foreign Secretary, is understood to have urged his colleagues at a private meeting of EEC Foreign Ministers here this weekend to consider involving the Turks more closely with the EEC's efforts to co-ordinate foreign policy, once Greece has been admitted.

He is said to favour inviting Turkey to attend "political co-operation" sessions, at which the Nine discuss issues outside the framework of the Rome Treaty, whenever these touch on matters of direct interest to Ankara, such as Cyprus and the dispute with Greece over the Aegean.

He called on his colleagues to study ways of helping Turkey to try to correct its massive trade deficit, possibly by stepping up EEC purchases of Turkish agricultural exports and by improving the treatment afforded Turkey under its association agreement with the Community.

But although Dr. Owen's desire not to alienate Ankara further is widely shared by his colleagues, they were unable to agree on any specific measures. Some delegations questioned whether closer political association with Turkey was practicable and suggested that the EEC might be forced instead to opt out of any direct involvement in bilateral Greek-Turkish relations.

Concern has been focused in the EEC both by Turkey's bitterness at the refusal of the U.S. Congress to lift the American embargo on arms deliveries to Ankara and by the forthcoming visit to Brussels of Mr. Bulent Ecevit, the Turkish Prime Minister.

Mr. Ecevit is expected to present a number of demands for a better deal when he meets Mr. Roy Jenkins, President of the European Commission, on Thursday.

Promise of return to elected rule for Peru

President Francisco Morales Bermudez of Peru has promised in a broadcast to the nation that the military will hand over to an elected government, Reuter reports from Lima. He was speaking a few hours after putting the country under a state of emergency because of food price riots in which 12 people died. The President hinted that general and presidential elections could take place before the due date in 1980.

Under the emergency, political campaigning on radio and television for Constituent Assembly elections on June 18, has been suspended.

Editorial comment, Page 14

Police hold 84 after Salisbury rampage

Rhodesian police have made 84 arrests after violence between rival black nationalist factions in Highfield, Salisbury's main black township, our Salisbury correspondent reports. The violence on Saturday night, came after a rally attended by 10,000 people. They were addressed by the Rev Ndabaningi Sithole, leader of the Zimbabwe African National Union, and a member of Rhodesia's four-man ruling Executive Council. Police said gangs went on the rampage, beating up other blacks and stoning six vehicles and a house. All the major nationalist groups denied responsibility.

Rhodesia's guerrilla war has claimed 12 more lives Reuter reports. Defence headquarters in Salisbury said security forces have killed five guerrillas and two guerrilla recruits. Guerrillas have killed three villagers and a white farmer has died from wounds received in an ambush last week.

Tokyo's new airport in operation

Tokyo's new airport became operational despite last-ditch efforts by left-wing radicals who have backed farmers in a 12-year struggle to stop it being built, Reuter reports. The first six freight and passenger flights landed safely as clouds of black smoke drifted across the runway from burning car tyres set alight by left-wingers to halt the opening yesterday.

Soviet 'spies' held

Two Soviet UN officials arrested on spy charges are to appear in court on May 30 for a preliminary hearing, the FBI said yesterday, according to a Reuter report from New York. The two men, Mr. Rudolf Petrovich Chernyayev, aged 43, and Mr. Yaldik Aleksandrovich Enger, aged 39, face life imprisonment if convicted. The FBI said a Soviet diplomat, Mr. Vladimir Petrovich Zinyakin, aged 39, was third secretary in the Soviet mission to the UN, was also involved but was not arrested because of diplomatic immunity. According to the FBI, the three men paid $16,000 to obtain information about U.S. anti-submarine equipment.

Guzman holds lead

Mr. Antonio Guzman, the Opposition candidate, who has already declared himself President-elect of the Dominican Republic, maintained his lead yesterday as more official results were announced, Reuter reports from Santo Domingo.

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OVERSEAS NEWS

Huge majority expected for Sadat's six principles

BY ROGER MATTHEWS

CAIRO, May 21.

NEARLY 11 million Egyptians were entitled to take part in a referendum today which could prove a turning point in the democratic experiment initiated by President Anwar Sadat. They were asked to vote on a set of six principles enunciated by Mr. Sadat in a speech last Sunday in which he angrily accused his critics of mounting a campaign of doubt and rumour.

If, as widely expected, the electorate is announced to have given a 99 per cent-plus vote in favour of curbing politicians and other people who fall within the broad lines drawn up by the referendum, Parliament will draw up legislation that could be used to silence many of the President's more vocal critics.

In a statement last night the Bar Association described the referendum as "unconstitutional, illegal and a setback to democracy." The conservative New Wafd, the most recently formed of the four legal political parties, said it regretted that the referendum had been called because it aimed to impose restrictions on the freedom to form parties, and of parties to choose their leadership and to publish newspapers.

Voters received a single slip of paper which asked whether they agreed with the six principles presented by the President during his speech and which were designed to protect "social peace" and "domestic harmony."

The six principles would ban from political activity, or from holding senior official positions, those whose ideology is incompatible with the teachings of religion, and those who took part in corrupting public life before the 1952 revolution and between then and the 1971 "corrective" revolution.

Anyone writing for the Press or otherwise holding positions in the media would have to uphold the principles of democratic socialism, national unity and social peace.

The main targets are the leadership of the *Wafd*, leading figures in the left-wing Unionist Progressive Party, and "Communists" who hold influential newspaper posts.

President Sadat is to hold a news conference on Tuesday when the final results of the referendum are known.

Rise in Saudi oil exports

BY JAMES BUCHAN

JEDDAH, May 21

SAUDI ARABIAN exports of crude oil rose by an average of 1.1m. barrels a day last month compared with March, according to figures issued by the Saudi Ministry of Petroleum and Mineral Resources.

Exports which account for all but 6 per cent. of Saudi production stood at 7.81m. barrels a day against 6.81m. in March.

The April figures contradict an earlier report of April exports of £6.2m. barrels daily.

The earlier report, quoting financial sources in Jeddah predicted a steep fall in Saudi revenue and hence foreign reserves on the basis of the drop in production. Exports are still, however, well below the 1977 average of over 9m. barrels a day.

Orly attack was for 'vengeance'

BY IHSAN HIJAZI

BEIRUT, May 21.

A GROUP calling itself the Sons of Lebanon Organisation has claimed responsibility for the attack at Orly Airport, Paris, yesterday in which one French policeman and three guerrillas died. Three policemen and three airline passengers, all French, were wounded.

A statement signed by the group and distributed in Beirut last night said the target of the attack was a group of Israeli army officers who were about to board an El Al flight bound for Israel. The group wanted to take vengeance for the Israeli invasion of southern Lebanon two months ago, it said.

The statement did not give the identity of the three guerrillas who staged the attack.

This is the first time the Sons of Lebanon Organisation has been heard from. Observers recall, however, that this is not the first time that new names for organisations have been used in claiming credit for hijackings or terrorist activity abroad. Most of the actions were carried out by members of the foreign operations branch of the Popular Front for the Liberation of Palestine (PFLP).

The Orly assault had all the makings of a PFLP foreign operation and observers doubt that a new group could possess the means to mastermind an attack on this scale.

Robert Mauthner reports from Paris: The three terrorists, who carried several passports including Tunisian and Lebanese documents, and were all in their twenties had flown in from Tunis earlier yesterday, according to the French police.

They were seen taking out automatic weapons from their hand luggage as they were about to go through the security check. Israeli security agents were reported to have assisted the French police during the battle.

Mr. Mordechai Gazit, Israeli Ambassador to France, was at the airport to meet Mr. Israel Katz, Israel's Minister of Labour, but neither he nor the Minister were present in the customs hall when the shooting took place.

Mr. Shmuel Tamir, Israel's Minister of Justice, later telephoned the French Minister of Transport to express his Government's appreciation and thanks for the way in which the French police had foiled the terrorists. "Only by co-operation between free countries will it be possible to fight barbaric terrorism," he said.

Orly Airport has been the scene of three attacks against El Al since October 1972.

SHIPPING REPORT

Atlantic grain trade dominates

BY LYNTON McLAIN, INDUSTRIAL STAFF

THE ATLANTIC grain trade dominated shipping markets last week, with new high levels of chartering. Elsewhere and in other sectors, major developments were hard to find, despite a moderate amount of business in tanker trades.

In tankers, inquiries remained at a low ebb in the Middle East with shipbrokers again worried about the number of ships awaiting cargoes. Over 5m tons of tonnage is still lying in the region without work.

Other areas reported better trading, with the Mediterranean and Caribbean noticeably more buoyant than in previous weeks.

In the Arabian Gulf, inquiries for very large crude carriers were sluggish. Owners tried to resist any further fall in rates. In the case of a 260,000 ton VLCC a charter was won to Europe at Worldscale 18.5, compared with 18.25 for some charters in April. A few deals then were concluded at Worldscale 17.

Two other VLCCs fixed charters at Worldscale 19.25 to Europe and 21 to the Far East.

Brokers reported charterers switching combination carriers into the dry cargo trade. This has grown steadily stronger in recent weeks and the switch helped marginally the fortunes of the tanker owners. Cargoes of 60,000 tons attained Worldscale 53.5 to the U.S. Gulf from the Mediterranean.

West African markets moved upwards this last week, with a number of cargoes placed on charter for discharge in the U.S.

The Caribbean loading area was active early in the week but rates have now eased and a number of vessels are seeking work, E. A. Gibson Shipbrokers said at the weekend.

In dry cargo markets, there was more buoyancy, despite the continental holiday on Monday. Charterers were increasingly reluctant to release details of successes. But generally rates in the market showed improvements on the levels of early 1978. Galbraith Wrightson reported bulk cargo rates at least as high as those reported last week.

The Atlantic raw materials trade was dominated last week by ore shipments. In the Pacific the volume was substantially less.

Grain markets on the Atlantic continued very firm, with U.S. Gulf to Holland rate levels reaching the highest for many years. Galbraith said the movement shows all the signs of continuing to the middle of June.

Denholm Coates and Co. reported that charterers have been forced to timecharter vessels at levels up to 10 per cent up on the previous week. The grain rate on the Gulf to the Europe routes is scheduled to reach $8 for the larger vessels, with the rate lasting through to mid-June.

On the Atlantic grain market Russian chartering activity for the larger ships continues, with a possible total of 12 or 15 ships involved.

World Economic Indicators

TRADE STATISTICS

		April '78	March '78	Feb. '78	April '77
U.K. £bn	Exports	3.004	2.830	2.999	2.635
	Imports	2.768	3.100	2.917	2.764
	Balance	+0.236	−0.270	+0.082	−0.129
		March '78	Feb. '78	Jan. '78	March '77
France Frs bn	Exports	31.133	28.611	26.877	26.242
	Imports	29.941	28.547	28.731	27.614
	Balance	+1.192	+0.064	−1.854	−1.372
W. Germany DMbn	Exports	24.6	21.4	21.3	25.8
	Imports	20.4	18.7	19.4	21.6
	Balance	+4.2	+2.7	+1.9	+4.2
Italy Lire bn	Exports	3.502	3.051	2.735	3.419
	Imports	3.702	3.133	2.863	3.882
	Balance	−0.200	−0.082	−0.128	−0.463
U.S. $bn	Exports	10.9	9.922	10.014	10.071
	Imports	13.7	14.439	12.393	12.459
	Balance	−2.8	−4.517	−2.379	−2.388
		Feb. '78	Jan. '78	Dec. '77	Feb. '77
Japan $bn	Exports	7.260	5.580	8.449	5.773
	Imports	4.930	5.205	5.774	4.738
	Balance	+2.330	+0.375	+2.675	+1.035
Holland Fls bn	Exports	8.662	9.317	9.310	8.655
	Imports	8.886	9.365	9.419	9.089
	Balance	−0.224	−0.048	−0.109	−0.434
		Jan. '78	Dec. '77	Nov. '77	Jan. '77
Belgium BFrs bn	Exports	111.545	120.476	107.778	99.689
	Imports	118.210	117.995	120.257	111.788
	Balance	−6.665	+2.481	−12.479	−12.099

WORLD TRADE NEWS

U.S. may allow Kfir Taiwan deal

By David Lennon

TEL AVIV, May 21

ISRAEL IS hopeful that the U.S. Government will agree to the sale of 48 Israel made Kfir jet fighters to Taiwan. The deal, worth $500m is the largest export order Israel ever received.

The Kfir is powered by an American manufactured J-79 engine. The U.S. has used this fact to bar the sale of Kfirs to Ecuador and Taiwan in the past. But Israel has received recent indications that the Carter Administration may now approve the sale to Taiwan to "compensate" Israel over the decision to sell American warplanes to Egypt and Saudi Arabia.

Taiwan has been negotiating with Israel Aircraft Industries for over a year over the package

Swedish trade surplus

Preliminary Swedish trade figures for April show a SKr 1.2bn ($260m) surplus and suggest that the improvement in the trade balance this year is strengthening our Nordic Correspondent reports. Sweden exported goods to a value of SKr 31.3bn in the first four months of this year, while imports totalled SKr 29bn, the statistical central bureau calculates. The four-month surplus of SKr 2.3bn on the trade balance compares with a deficit of SKr 2.55bn during the corresponding period of 1977.

BSC Mexican order

A Mexican order worth $1.3m has been won by the British Steel Corporation's Sheffield division—with the possibility of more orders to come.

U.S. newsprint mill

E. and B. Cowan, the Canadian pulp and paper industry engineers and consultants, will do the engineering for a new 175,000-tons-a-year newsprint mill costing $100m to be located in Virginia in which Dow Jones-Wall Street Journal and the Washington Post will be principal investors, Robert Gibbens writes.

Europe's tights industry to act on overcapacity

BY RHYS DAVID

EUROPE'S KNITWEAR producers are to get together to work out ways of controlling the massive over-production in the women's tights industry which has led to severely depressed prices and a number of factory closures.

The move, which has been notified to the European Commission, was agreed at a meeting in Harrogate, though only with the reluctant acceptance of the Italians whose investment in tights production for export markets has been the main cause of present problems.

Representatives of the European tights industry had earlier been told in a paper delivered to the international congress of the knitting industry that a total of *10,000 jobs in Europe* were now at risk, and that without co-ordinated action to regulate the market there was a danger of individual countries taking protectionist action.

The current over-capacity in the European tights market—estimated at around 40 per cent—has resulted in part from fashion changes such as the spread of jeans, leading to a reduction in purchases by women in all European countries from 22 pairs per year in 1972 to 17 pairs in 1977.

At the same time however there has been the twin development in Italy of newer and faster machinery for producing tights and the highly organised outworker industry. According to figures quoted by the Swiss Gesplan organisation the Italian industry managed to increase its share of the German market from 18 per cent to 25 per cent between 1974 and 1977 and in France over the same period its share went up from 18 per cent to 28 per cent, even though in volume total sales were down substantially. The Italians have been less successful in Britain however where the market is dominated by two producers, Pretty Polly and Courtaulds.

The other European producers claim that because of the outworker system the Italians enjoy substantially lower overheads and as a result have an unfair competitive advantage. A new threat has emerged too with the announcement by Italian machinery manufacturers that they will be marketing higher performance machines at the end of the year.

The inquiry comes only shortly after agreement by Europe's fibre producers to try and restore stable market conditions in their sector. The knitting inquiry will be handled by Mailleurop, the European federation of knitwear producers.

VW Brazil in Chrysler talks

BY SUE BRANFORD

SAU PAUO, May 21.

VOLKSWAGEN OF Brazil, the giant of the Brazilian motor industry, may shortly be taking over part of Chrysler's plant to produce light lorries, components and possibly motor-cycles.

Chrysler, which has suffered considerable difficulties in Brazil in recent years, has decided to cut down the size of its operation. Its losses were cruzeiros 198.3m (£11.1m) in 1975, cruzeiros 115.9m in 1976 and about cruzeiros 115m in 1977. Its production fell from 27,831 passenger cars and lorries in 1976 to 21,970 in 1977.

It is not yet clear what type of deal is being worked out between the companies. Business sources in Sao Paulo say that Volkswagen Brazil, using its own resources, will be buying up part of Chrysler's plant at an estimated cost of $400m. This has been partly confirmed by the Minister of Trade and Industry.

Meanwhile Volkswagen says it is having talks with Chrysler about increasing co-operation—Volkswagen do Brasil already takes parts and tools from Chrysler. Building VW light vans in the Chrysler plants is now being considered and, perhaps, purchase by VW of a share in Chrysler Brazil. But the company says a majority stake is not planned.

In any case, it is believed that Chrysler will continue producing passenger cars in Brazil. It is planning to launch a new luxury model before the end of the year.

Argentine imports move

BY ROBERT LINDLEY

BUENOS AIRES, May 21.

A MOTOR industry draft law aimed at modernising the Argentine motor industry and reducing car prices would free imports and make import taxes fall down a sliding scale over the next three years, beginning on July 1.

It is considered a certainty that President Videla will sign the draft law, which would remove the present ban on the imports of motor vehicles. By 1981, import taxes would be reduced to 55 per cent for cars and 45 per cent for pick-ups and trucks.

Motor vehicles cost double or more in Argentina than they do in most industrialised countries.

Soviet team arrives for UK talks

Financial Times Reporter

A 25 member Soviet delegation arrived in London yesterday to attend the seventh meeting of the British-Soviet Joint Commission to review U.K.-Soviet economic, industrial, scientific and technological co-operation.

The delegation, which is led by Mr. Vladimir Kirillin, deputy premier and chairman of the State Committee for Science and Technology, was met at Heathrow Airport by Mr. Edmund Dell, Britain's Secretary of State for trade.

During the visit, which ends on Thursday, May 25, the Soviet delegation will have talks with Dr. Dickson Mabon, Minister of State for Energy and Mr. Alan Williams, Minister of State for Industry. They will also meet Mr. H. B. Greenborough, president of the CBI and Sir John Buckley, acting chairman of the East European Trade Council and a number of other leading British businessmen.

The main increases in UK exports to the Soviet Union last year, which totalled £347m up from £240m in 1976, were in machinery, chemicals, iron and steel, and scientific instruments. UK imports from the Soviet Union totalling £781m last year against £645m in 1976, continue to be mainly raw materials, including timber, with a substantial entrepot trade in precious stones and furs. In the first quarter of the year UK exports rose to £121m from £54m a year ago while imports fell slightly to £132m from £147m.

Marubeni in Iraq

Marubeni said it has signed a Y40bn contract with the Iraqi Ministry of Housing and Construction to build five technical institutes and expand an existing facility, Reuter reports from Tokyo. Fujita, Taisei and Toyo Fine Chemical will undertake the construction work, which will start later in May. The contract also covers the supply of laboratory equipment and furniture.

HOME NEWS

Product liability 'may lift prices'

By Elinor Goodman, Consumer Affairs Correspondent

THE Confederation of British Industry said yesterday that proposed changes in the law to make manufacturers strictly liable for defective products could result in higher prices and fewer new products.

In its interim representations on proposals for changing the law relating to product liability, the CBI pointed out some of the implications of changing the law along the lines suggested by the Pearson Report and the Law Commission.

But it did not commit itself on the fundamental issue whether such a change in the law was desirable in the first place.

Proposals for changing the law relating to liability for defective products have been under discussion for several years both in Britain and in Europe. Most stem from the desire to avoid another thalidomide tragedy.

Last June—the English and Scottish Law Commissions published their proposals on the subject. The matter was also dealt with in the report of the Royal Commission on Civil Liability and Compensation for Personal Injury under the chairmanship of Lord Pearson. This was published in March.

Benefits

The CBI was asked to give the Government its views by the end of April. But yesterday it said anything it said at this stage must be provisional as industry had not had time to absorb the implications of the proposals. A broad statement of policy would be considered by the CBI council in June.

The CBI said it was not convinced that there had been adequate recognition of the price which would have to be paid. It was not likely that the price could prove acceptable to the public in relation to the benefits.

It supported the recommendation in the Pearson Report that any money received from the social security system should be deducted from an award made after civil action for damages.

It expressed concern about the implications for new product development. It was impossible to guarantee that dangers would not arise with a new product. Certain industries, such as pharmaceuticals, might be unable to get insurance cover without the backing of a Government compensation fund.

It believed liability should be restricted to injury or death and not cover damage to property, as proposed in Brussels. Any new laws should "protect producers from frivolous or excessive claims" as had been made in the U.S.

Coal Board £200m. plan near approval

BY JOHN LLOYD

INVESTMENT of about £200m is coming up for approval by the National Coal Board for a number of colliery developments to come on stream inthe mid to late 1980s.

The projected developments consist of a new "super pit" in South Wales, an undersea mine in Scotland, the resumption of working in an abandoned colliery and the redevelopment to an existing pit.

Most of the coal to be won from these new workings will be power station quality, with some coking, domestic and general industrial coal as well. The new collieries will employ about 3,000 mineworkers.

The Welsh "super pit" will be at Margam, near Port Talbot and will cost an estimated £100m. Plans are still being completed at South Wales area level, and the project will go to the Board later in the year.

Margam has extensive reserves of high quality coking coal, which, it is hoped, will be taken up by the British Steel Corporation's Port Talbot works. The colliery should come on stream in the mid 1980s and will employ about 1,000 miners.

The undersea pit, which is still at the planning discussion stage, will be sunk at Musselburgh, near Edinburgh, in the Scottish Coal Board area, at an estimated cost of £30m.

The National Coal Board has proved reserves of 100m. tons, mainly of steam coal, and the pit will be twinned with the nearby Monktonhall Colliery. It will employ about 500 miners.

Drift sinking

The abandoned colliery of Thorne, 15 miles North-West of Doncaster, was opened in 1926 and abandoned because of flooding in 1956 when it employed 3,000 men.

More than 140m tons of high quality power station and domestic coal have been proved within a five-mile radius of Thorne.

A proposal is being completed to re-open the pit, and to exploit the two rich Barnsley and the High Hazel seams, at a probable cost of about £50m. Thorne will employ an estimated 1,400 miners and is expected to be producing by the mid-1980s.

The last of the big future projects has already gained Board approval. It is a major extension to Daw Mill colliery, near Coventry, in the South Midlands area development on which began recently and which is expected to cost £21.7m.

The extension will boost production at Daw Mill from 1m to 2m tons a year. An additional drift will be sunk from the surface of the pit to gain access to proved reserves, estimated at 200m tons, mainly of power station coal.

These projects are expected to come on stream about the same time as the £500m Belvoir scheme, in Leicestershire, which will probably be producing 7m tons of coal a year by the late 1980s.

The major colliery for the 1980s remains Selby, in Yorkshire, which will also cost £500m. It will produce 10m tons a year, beginning in 1982.

Co-op merger issue revived

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE QUESTION of whether the two central bodies of Britain's co-operative movement should be merged is again likely to dominate the Co-op's annual Congress, to be held in Scarborough this week-end.

Proposals for merging the Co-operative Union, the main custodian of the movement's conscience, with the more commercially orientated Co-operative Wholesale Society, have been discussed for years.

But they seemed to have been finally knocked on the head last July when the movement's 206 retail societies voted against the idea.

The special committee, set up to study the merger, however, still has to present its report to this year's Congress.

Proposals

The committee has already said that it will recommend its own formal winding-up at Congress, but more than a third of the resolutions put down for debate are connected with changes in the structure of the Movement or increasing the Union's strength and effectiveness.

The Birmingham society, for example, has submitted a resolution calling on Congress to recognise that the winding-up of the sub-committee on the Single National Federation did nothing to resolve the problems and that some new initiative is needed.

The other long-running issue in the co-operative movement is the plan to reduce the number of retail societies and create far larger regional societies.

Though there is no proposal specifically dealing with this on the agenda for next week-end's congress, it is bound to be discussed.

The other subject likely to arouse strong feelings at congress is the question of trade with South Africa. At present there are three proposals to be discussed dealing with South Africa.

Town halls free to defy independent schools ban

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

ONLY NEW legislation could stop local authorities from continuing to finance independent schools in defiance of a ban by the Department of Education and Science, a Whitehall official admitted yesterday.

The Department's ban applies only to local education authorities. This leaves the 400 councils now without educational responsibilities — including large areas such as Greater Manchester—free to finance pupils at independent schools as a general amenity under the Local Government Act.

In addition, councils which are local education authorities—such as Cambridgeshire—may decide to use their power to make grants to charities to finance any of the numerous independent schools which have charitable status.

National Savings top £137m in April

By Adrienne Gleeson

AFTER A COUPLE of relatively sluggish months, National Savings figures again took on a turn of speed in the five weeks to the beginning of May. The total was £137.4m against net receipts of £99.9m in the preceding four-week period (£105.2m in April, 1977).

The increase was very largely due to a rise in sales of National Savings Certificates, following the announcement in the Budget that the present 14th isue was to be replaced with a new and lower coupon issue in mid-June.

Net receipts on sales of National Savings Certificates (excluding the index-linked issue) rose from £25.5m in March to £58.1m in the five weeks just reported.

On Friday the Chancellor of the Exchequer announced in a written answer in the Commons, that withdrawal of the 14th issue and introduction of the 17th was to be deferred because of the rise in interest rates.

Interest

Also contributing to the rise in receipts were the National Savings Bank's investment accounts, where net receipts for the five weeks period rose to £22.7m, from the £19.9m reported in March, and British Savings Bonds, where net receipts amounted to £17.6m against £15.3m for the preceding four-week period.

Including accrued interest of £32.9m, there was £170.3m to be added to the total invested in National Savings at the end of the five-week period.

At £10.2bn, that total reflects the Government's increasing determination to use National Savings to help to finance its borrowing requirements, by offering savers inducements such as high interest rates and tax concessions. A year ago the total was only £8.28bn.

Inquiry into plan for fast-breeder reactor faces delay

BY RHYS DAVID

THE PROPOSED inquiry into plans by the United Kingdom Atomic Energy Authority to build a full-scale experimental fast-breeder reactor is now unlikely to be held until the end of next year.

The possible postponement was one of the points to emerge during a visit to the authority's northern group headquarters at Risley, near Warrington, by Mr. Anthony Wedgwood Benn, Secretary for Energy, on Friday.

The authority, which last week received Parliamentary approval for its Windscale reprocessing plant after last year's public inquiry has indicated to the Minister that the necessary preparatory work for another inquiry will take at least a year and discussion will also have to take place with the electricity generating authorities.

Before the inquiry is held it is likely a decision will have to be taken on siting and design, though the most obvious site is Dounreay, Caithness, Scotland.

The Authority already has a prototype fast reactor of 250 MW at Dounreay which was run for a short time in February. This is now on scheduled shut down, but is due to be brought back onto full power for a 12-month period shortly, enabling the Authority and the Central Electricity Generating Board to gain operating experience.

The inquiry will decide whether or not Britain should go ahead with the building of a 1250 MW commercial demonstrator fast reactor costing with associated plant about £1bn.

Fast breeder reactors which use as their fuel source plutonium produced in the current thermo-reactors are likely to play a significant part in meeting energy needs in the 21st century.

Mr. Benn was at Risley to inaugurate a £4m new ICL 2980 computer system installed as part of the Authority's plans to centralise and rationalise its computing.

The Risley computer is the first to be supplied to a user with a new fast multiply-divide unit which according to ICL can cut the time needed for calculations by two-thirds.

Scrap traders meet in London today

BY JOHN LLOYD

THE GROWING need to re-cycle a range of materials and the consequent growth of reclamation industries, will be highlighted in the convention of the Bureau International de la Recupération, which begins in London today.

Around a third of raw materials produced is re-cycled. According to Mr. Alfred Cooper, world president of the Bureau, the reclamation industry "is fast becoming one of the largest industries in the world."

Figures produced by the Bureau show the scale of energy savings made possible by re-cycling. It claims that it take 31 barrels of oil to produce one tonne of primary aluminium, compared with two barrels when aluminium scrap is used.

To produce copper wirebars from copper scrap requires only 3.2 per cent of the energy required to convert ore into metal. Energy savings on making iron and steel from scrap vary from 50 to 75 per cent.

More than 600 delegates will attend the London Convention from 36 member countries including the Soviet Union and East European States.

Uproar over 'disloyal' MPs

BY ROBIN REEVES

ANGRY SCENES broke out at the Welsh Labour Party's annual conference in Swansea over the week-end as anti-devolution MPs were accused of trying to undermine the Government's devolution legislation.

An emergency resolution expressing, "deep dissatisfaction," with the 40 per cent referendum threshold now written into the Bill to create a Welsh Assembly was carried four to one in a card vote.

But not before a debate which exposed deep divisions within the Welsh Labour Party's ranks over the proposed Assembly, and grass-roots anger at the failure of some Welsh Labour MPs to support the party's long-standing pro-devolution majority line.

At one stage, there was complete uproar. It took Mr. Emlyn Hughes, the party chairman, several minutes to restore order.

The pro-devolution attack was led by Mr. Ray Powell, a past chairman, who accused the MPs concerned of "disloyalty to the Labour movement."

Misinformed

By promoting the 40 per cent amendment, they had "placed a dangerous weapon in the hands of reactionaries of the future."

Mr. George Wright, Wales TUC Secretary, said that if the referendum was lost because of the 40 per cent threshold, it would "split the party and fuel the fires of nationalism."

An angry Mr. Neil Kinnock, MP for Bedwellty, and prominent anti-devolutionist, described the attacks as "misinformed" and strongly rebutted the charges of disloyalty.

Mr. Ioan Evans, MP for Aberdare and a leading anti-devolutionist, also defended himself and called for tolerance of differing points of view.

Wrangler plans jeans expansion

BY RHYS DAVID

WRANGLER has decided it is time for a further expansion of its jeans manufacturing capacity in the U.K.

Negotiations are taking place with the Scottish Development Agency which could lead to a doubling in size of the company's main factory at Falkirk. This together with expansion else where in Scotland, where Wrangler has opened a total of four factories since 1969, is likely to take total employment by the group over the next few years from its present total of around 750 in its UK plants to more than 1,000.

Wrangler, a subsidiary of the U.S. group Blue Bell, has been expanding—at a time when many other UK clothing concerns are having to rely on employment subsidies to maintain their labour force—as a result of the continuing strong growth in sales of leisure wear.

The jeans market in the UK is estimated to have tripled since 1970 when 12m pairs were sold, and the total European market, according to the International Institute for Cotton, went up from 38m in 1970 to around 172m pairs in 1976.

Wrangler's proposed expansion is intended to cope with this continued growth and also with changes within the jeans market itself. Although jeans—differentiated from trousers by their lower cut and back construction—are continuing to grow at the expense of conventional trousers, other fabrics and in particular corduroy, are now becoming more important alongside the traditional indigo-dyed denim.

Wrangler puts the present split in the UK market for jeans at 80 per cent denim and 20 per cent corduroy and other fabrics. The company is increasing its own corduroy output significantly, however, and expects its line-up for spring next year to be 45 per cent denim, 45 per cent cord and 10 pe rcent other fabrics.

In the current year the company is forecasting a sales increase of around 20 per cent, partly as a result of continued growth but also from increased market share.

Three companies, Wrangler, Levi and Brutis, hold about 30 per cent of a highly fragmented market in the UK but altogether around 70 producers are in competition.

The use of new materials such as Corduroy which requires different processing and manufacturing methods from denim, and the high cost of marketing what has now become a mature produce is expected, however, to prove too much for some of the smaller producers, lacking the worldwide resources of some of the bigger groups.

The leading brands have been digging deep into their pockets to fund much larger advertising budgets, and Wrangler has maintained a higher level of advertising during the past winter—normally a slack period for jeans sales—and claims this has enabled it to double normal sales.

The company has been promoting its name heavily through its Mr. Wrangler commercials on television and posters in order to get away from generic jeans advertising which simply sells the product.

Another objective of the advertising campaign has been to try and persuade the public that jeans embraces corduroy and other fabrics as well as indigo-dyed denim.

Predictions of an end to the jeans boom nevertheless continue to be made by fashion writers, but according to Wrangler it is still a very long way off.

Mr. Richard Webzell, the company's UK managing director points out that standards of dress in society look like continuing to become less formal with increasing leisure and mobility, offering the makers of casual clothing the prospect of continued high growth in sales.

The jeans manufacturers have in any case insured themselves to some extent by widening their product ranges to embrace a variety of new products from boots to belts and hats. Wrangler's own business in the UK is now one third in tops—shirts and jackets, imported from the company's factories in Ireland and Malta or bought in from other suppliers.

There is also further scope for broadening the age appeal of jeans—something which is more likely to happen with corduroy than with denim. Some 70 per cent of jeans sales are to the 16 to 29 age group but sales outside this age range have been growing fast, partly because the original jeans wearers are themselves now getting older.

The UK is also only about half way in the European league table of jeans purchasers per person each year, headed by the Scandinavians who each manage to buy 1.2 pairs per year. In Britain the figure is only 0.6 pairs per year although this is still some way ahead of France where the figure is 0.36 pairs a year.

HOME NEWS

CONSUMER CONFIDENCE

Long-term trends all show more spending

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

PEOPLE are taking a slightly more cautious view of the future than immediately after the spring Budget, according to the latest survey of consumer confidence for the Financial Times. Even so, the long-term trends all point to a further increase in consumer spending later this year.

The indices measuring consumers' view of their prospects and their degree of enthusiasm on buying consumer durables fell this month, having risen in April. The index reflecting how "well-off" people feel continued its upward trend.

Though most were cheered by last month's Budget, the optimism seems to have faded fairly quickly. Whereas in April those expecting things to improve outnumbered those expecting things to get worse by 12 per cent., this month the optimists were in a majority of only 5 per cent.

The only group of respondents to take a more cheerful view this month were professional men who were the only group last month not to be encouraged by the Budget.

The monthly Index of Consumer Confidence stands at its lowest level since last July, while the six-month moving average figure, which gives a better idea of long-term trends, has continued its downward drift.

Even so, the picture is more cheerful than two years ago, when pessimists greatly outnumbered optimists.

The most commonly cited cause of optimism was the fatalistic view that things must get better, mentioned by more than a third of the sample, while 14 per cent said they thought inflation was under control. This was a rather lower figure than in January.

A further 6 per cent said they were encouraged because they thought the Conservatives would be in power within a year.

Worries about rising prices remain the biggest reason for pessimism. This month 36 per cent of those taking a gloomy view about the future blamed inflation, against only 24 per cent last month.

Fewer blamed the Government for gloomy prospects than last month, while those mentioning unemployment as grounds for concern stayed stable at 12 per cent of the sample.

View on jobs

The proportion thinking unemployment would increase rose again this month. While 14 per cent said they thought unemployment would fall, 36 per cent said they expected it to get worse.

This gave a balance of 22 per cent thinking the job outlook would deteriorate against 20 per cent. last month.

The index of views on whether now is a good time to buy consumer durables fell by 3 per cent this month to show a balance of 20 per cent. in favour of buying.

The six-month moving average index continued to rise and, at +21 per cent is at its highest for nine months.

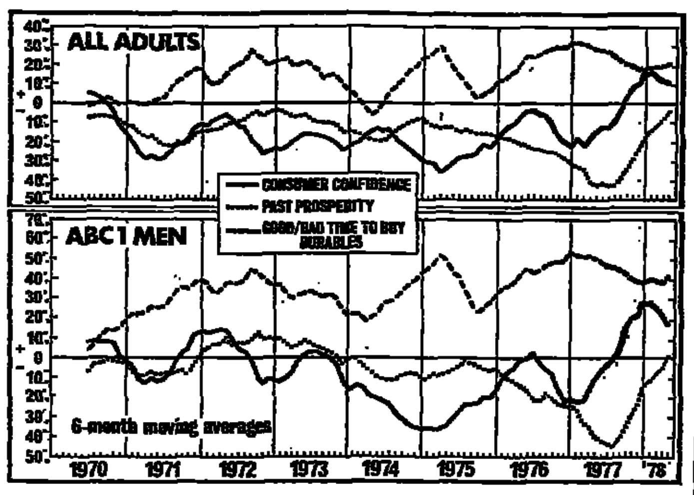
The drop in the monthly "Time to Buy" index was due mainly to the more cautious views by men with manual jobs. Among this group those for spending money now outweigh those against by only 9 per cent, the lowest figures since November

The higher number of wage settlements under Phase Three in the last month is reflected in the Past Prosperity Index.

Asked whether they felt better- or worse-off compared with a year ago, 34 per cent. said better-off and 31 per cent worse-off. This gave a positive balance of 3 per cent, which equals January's record level.

Past Prosperity has risen most sharply for professional men, though interestingly it has fallen for women.

The survey was carried out for the Financial Times by the British Market Research Bureau. A total of 989 adults were interviewed between May 4 and 10.



Vehicle statistics 'disclose too much'

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

PROPOSALS to reduce the number of statistics issued with the monthly U.K. vehicle registration figures are being considered seriously by the Society of Motor Manufacturers and Traders.

The public figures are collated from highly detailed, computerised information prepared by the society to give its members a confidential day-by-day account of their own and competitors' sales performance.

They are published monthly in the form of a Press release which shows the registration of practically every model on the market in Britain, along with its country of origin.

The society's policy on disclosure has earned it the reputation of being the most open trade association of its kind in Europe.

Among objections now being raised against this policy is that the manufacturers who pay for the service are subsidising many other organisations which use the figures.

There is also a deep-seated feeling that the issuing of detailed figures monthly exposes manufacturers to a great deal of unfavourable publicity which it would be better to avoid.

According to this argument, regular and detailed publication has exacerbated the discussion about vehicle import levels in Britain, while putting extra pressure on British manufacturers, particularly British Leyland, in their struggle to re-assert themselves.

Some executives in the industry would like to see the figures published less regularly. But the compromise formula which seems to be gaining ground is to reduce the volume of statistics now presented in the monthly reports.

Reduce form-filling to minimum—CBI

BY DAVID FREUD

FORM-FILLING to supply official statistical information should be kept to the minimum, the Confederation of British Industry says in a report published today.

A standing committee should be established to watch over the Government's needs for and collection of information, says the CBI. This should be serviced by a strengthened Survey Control Unit within the Central Statistical Office.

The confederation says that it has received a regular flow of complaints from trade and industry about the number of forms to be filled in. They included:

- Forms are too long and complicated and official jargon is used.
- There is sometimes insufficient indication of the need for the survey.
- Sometimes the same information is required by different official bodies.

The concern expressed by the confederation has already been reflected in changes made within the Statistical Office. Officials said this year that there were plans to introduce computer-controlled "personalised" forms for smaller operations to complete.

These personalised forms will consist of a single sheet of questions of direct relevance to the company to which they are sent.

APPOINTMENTS

Ault and Wiborg changes

Ault and Wiborg Group has reorganised the executive Board responsibilities of its subsidiary AULT AND WIBORG PAINTS to maintain and increase European interests, particularly in the automotive and refinishing industries.

Additional marketing authority has been shifted to appropriate sales divisions with Mr. Ron Hobart, deputy managing director, taking over special areas of corporate development. Mr. Mike Mogridge, executive marketing director, refinisher division and Mr. Henry Dudding, executive marketing director, automotive division, are now responsible for both sales and marketing directly to Mr. Gordon Phillips, managing director.

*

Mr. Stanley Axon and Mr. Graham Shaw have been appointed regional directors at the Manchester office of HOGG ROBINSON (UK).

*

Mr. Keith Siddall and Mr. Robert Picking, have been appointed joint managing directors of C. D. BRAMALL (BRADFORD). Mr. Graham Simpson has been made managing director of Hobsons of Shipley, a subsidiary.

*

Mr. B. E. Taylor has been appointed sales director, Low Denier Yarn Division, BRITISH ENKALON, from June 5. He succeeds Mr. I. G. M. Kovach, who has resigned because of ill-health.

*

Mr. G. E. Enderby-Smith has become deputy general manager of the FUJI BANK. He is the senior non-Japanese executive in the organisation and as business development officer, London branch, he is responsible for servicing European customers' accounts and investments.

*

Mr. T. Gold Blyth is to become managing director (magazines, books and distribution) and Mr. N. E. Richards, managing director (newspapers and printing) of ARGUS PRESS from July 6. Mr. C. R. de Launay, now managing director, will retire following the annual meeting on July 5. The company is a member of the BET Group.

Surveyors 'still suffering from building slump'

By John Brennan, Property Correspondent

SURVEYORS are still suffering from the effects of the building slump according to a workload review carried out by the Royal Institution of Chartered Surveyors.

First quarter figures from the Institution's regular Quantity Surveyors Workload Survey show that the increase in the number of commissions noted in the last autumn review has been sustained. And for the third successive quarter more firms reported a higher level of work in hand.

But the rate of improvement tailed off in the latest survey, as Mr. David Male, president of the quantity surveyors' division of the Institution says that "there is little cause for cheering . . . yet."

Mr. Male feels that although "the underlying trend is one of consolidation of the improvement shown during the previous quarter," the report adds weight to calls for additional Government support.

LABOUR NEWS

Attempt to end 'canteen spies' row

TALKS ARE expected to be held today in an attempt to settle the "spies in the canteen" dispute at British Leyland's factory, at Solihull.

The union management talks, however, may be too late to stop the lay-off of about 2,000 men—half the saloon-car workforce—from this morning.

If the men are sent home, production of Leyland's prestige Rover range would quickly come to a halt costing the company about £500,000 a day.

About 500 workers walked out of the factory's paint shop last week.

They claimed that two foremen were using two women canteen workers to spy on the time they took for meal breaks. They said that they would not return until the two men were sacked.

Beynon to head teachers' association

MR. GEOFFREY BEYNON 51-year-old assistant secretary of the Assistant Masters' Association, is to succeed Mr. Andrew Hutchings as general secretary of the 40,000-strong union with a salary of £10,000 a year.

The association, Britain's third-largest teaching union, will merge with the Association of Assistant Mistresses next September, with Mr. Beynon and Miss Baird, general secretary of the AAM, become joint secretaries of the new union.

Mr. Beynon will not take over until Mr. Hutchings retires in December.

NGA to discipline Observer 'casuals'

BY CHRISTIAN TYLER, LABOUR EDITOR

THE 14 print workers who refused at the week-end to report for work at The Observer will face union disciplinary proceedings and the loss of all their Fleet Street employment.

The National Graphical Association's governing council made the threat on Friday at a special meeting called in response to The Observer's warning that it would shut unless guarantees of uninterrupted production were given by the 25 machine minders who halted the previous Sunday's issue.

On Saturday, 11 of the men delivered the assurance in time for The Observer to produce a reduced, 24-page, edition yesterday.

Although the union had said that it would provide other staff if the machine minders did not comply, there was no time to make up the complement at The Observer this weekend, a union official said yesterday.

The reaction of 21 NGA men who work for the magazine Reveille—some of them are the same men—to a similar warning' will not be known until they report for work tomorrow. Reveille has also suffered stoppages and loss of copies.

Decision

The men are what is known as "regular casuals" who work a shift at one or more weekly newspapers every week. They, like full-time staff, obtain work through the union under Fleet Street's pre-entry closed shops for print workers.

Disciplinary action will be taken by the union's London regional council. Yesterday Mr. Les Dixon, the union's general president, said: "We shall not deviate from the national council's decision."

The Observer yesterday carried a front-page apology to readers and an explanation of the week's events. It said that the same dispute about manning—the machine assistants claim they are five short—prevented publication on December 4 last year.

Since January last year unofficial disputes with the NGA machine chapel (office branch) had cost the newspaper 2m copies, it said.

Biggest building union moves against site strikes plan

BY OUR LABOUR EDITOR

PLANS for strikes on building sites in protest at a pay offer have been countered by the largest union involved in the building and civil engineering national agreement.

The Union of Construction, Allied Trades and Technicians has told its members to stay at work and ignore action planned by the Transport and General Workers' Union.

This stance may come under fire from militant delegates to UCATT's biennial conference at Dunoon, Scotland, in two weeks' time.

A circular from UCATT's executive, sent out at the weekend, reminds members that the union has accepted the offer. "In arriving at this decision, the executive council took into account that in other negotiations where the TGWU had been involved, settlements within the guidelines had been accepted by that union."

The employers' offer is said to total just under the 10 per cent earnings rise stipulated by the Government, and to have been passed by the Department of Employment.

It has been rejected not only by the TGWU, when lay delegates overturned their negotiators' decision, but also by the two smaller unions involved, the General and Municipal Workers' Union and the Furniture, Timber and Allied Trades Union.

One union leader estimates that the offer, said to be worth 9.5 per cent, is worth only 4 per cent to the large numbers of workers on payment-by-results schemes, bringing its average value down to about 7 per cent.

Similar complaints about the proposed increase in the guaranteed minimum bonus element of the national wage agreement were behind the TGWU's revolt.

The offer would raise total minimum earnings of craftsmen from £54.60 to £60.20, and of labourers from £47.70 to £52. The present agreement, covering 750,000 construction workers, expires on June 26.

ICI shop stewards reject pay deal

BY OUR LABOUR EDITOR

SHOP STEWARDS representing about 45,000 process workers in Imperial Chemical Industries yesterday rejected a company pay offer on the eve of resumed national wage negotiations in London.

The unofficial combine committee, meeting in Salford, Lancashire, said that the offer, which had not been formally communicated to them, did too little for shiftworkers.

They said it was worth slightly under the 10 per cent earnings increase allowed by the Government. The £6 a week rise from Stage One of the incomes policy was not being consolidated into basic rates, and that meant the loss of £2 a week for shiftworkers.

The committee said it was not prepared to accept anything less than a firm commitment to a shorter working week in exchange for settling around 10 per cent.

The one-year productivity deal was negotiated last summer, and helped persuade the unions to stop trying to evade a Stage Two deal, in breach of the twelve-month rule.

Union might vet newsmen

A demand that journalists not belonging to a TUC union should be refused information has been put to the National and Local Government Officers Association.

The union's Sheffield branch has tabled a resolution for the union's conference in Brighton next month which it says will help "combat anti-trade union bias in the media."

Survey illustrates slowing of profits growth rate

BY ANDREW TAYLOR

THE STEADY deterioration of corporate profits growth among industrial companies during the first 10 months of last year is illustrated by the latest Financial Times survey.

Trading profits of 177 industrial companies covered by the survey (reporting annual results for periods ending between July 15 and October 14, 1977) increased on average by 18½ per cent. This compares with increases of almost 20 per cent and 28 per cent in the two previous surveys covering annual results.

This steady downward drift of profits growth further illustrates the underlying sluggishness of the economy last year, as measured in terms of industrial output.

The survey however does disclose significant profits recovery among some industrial sectors—notably packaging and paper and newspapers and publishing where trading profits increased by 64.8 per cent and 56.1 per cent, respectively.

Motor distributors also stand out as a sector that has been enjoying continued real growth with margins bolstered last year by a strong second-hand market and shortage of new vehicles. Trading profits of 13 distributors covered by the latest survey rose by an average 51.1 per cent.

Motor profits generally show up well in the survey with trading profits from motor and components manufacturers also rising by 37 per cent. over the same period.

The weakest sectors among the industrial companies were retail stores, where profits rose only 8.5 per cent—reflecting the low levels of consumer spending — and engineering where profits increased by only 9.6 per cent.

Surprisingly food retailing profits over the period rose 30.6 per cent, but this rate of growth may be expected to decline in future surveys as the effects of the high street price war begin to affect corporate results.

Trading profits from financial interests over the period also look sluggish rising only 15.9 per cent while property shows up as the second worst performing sector in the survey with profits falling 1.9 per cent.

The wooden spoon, however, goes to the tin sector where profits fell 6.9 per cent. However it is difficult to judge the performance of the commodities sector overall since no figures are available for tea or miscellaneous mining interests.

TREND OF INDUSTRIAL PROFITS

ANALYSIS OF 237 COMPANIES

The Financial Times gives below the table of company profits and balance-sheet analysis. This covers the results (with the preceding year's comparison in brackets) of 237 companies whose account year ended in the period between July 15, 1977, and October 14, 1977, which published their reports up to the end of April, 1978. (Figures in £000.)

INDUSTRY	No. of Cos.	Trading Profits (1)	% change	Profits before Int. & Tax (2)	Pre-Tax Profits (3)	Tax (4)	Earned for Ordinary Dividends (5)	% change	Ord. Dividends (6)	% change	Cash Flow (7)	Net Capital Employed (8)	Net Return on Cap. % (9)	Net Current Assets (10)
BUILDING MATERIALS	7	13,756 (11,676)	-17.8	10,798 (9,061)	10,063 (8,530)	3,172 (3,258)	6,416 (4,939)	+30.2	1,146 (981)	+16.8	7,598 (5,810)	46,084 (37,054)	23.4 (24.4)	17,259 (13,202)
CONTRACTING & CONSTRUCTION	6	24,886 (20,685)	+20.3	20,443 (16,639)	16,641 (13,392)	7,976 (7,253)	8,473 (5,970)	+41.9	2,347 (2,071)	-13.3	9,408 (5,950)	106,580 (88,609)	19.2 (18.6)	46,534 (36,354)
ELECTRICALS (EX ELECTRN. ETC.)	5	79,985 (60,194)	+32.9	50,171 (38,971)	38,478 (29,650)	12,965 (13,947)	25,037 (15,481)	+61.7	3,889 (2,999)	+29.7	49,735 (32,892)	258,593 (219,060)	19.4 (17.6)	143,911 (131,863)
ENGINEERING	41	152,883 (139,501)	-9.6	120,730 (110,236)	96,667 (91,423)	40,527 (42,775)	56,291 (46,468)	+21.1	18,681 (14,979)	+24.7	64,235 (55,983)	725,742 (414,623)	16.0 (26.6)	335,484 (287,456)
MACHINE TOOLS	3	4,413 (3,531)	-25.0	3,552 (2,868)	3,121 (2,478)	1,597 (1,243)	(1,512) (1,181)	-28.0	665 (422)	+57.6	1,420 (1,197)	19,926 (18,016)	17.8 (15.9)	9,086 (7,502)
MISC. CAPITAL GOODS	8	69,976 (52,440)	+33.4	60,080 (44,258)	53,043 (39,305)	25,013 (19,225)	24,867 (16,898)	+47.2	7,136 (5,813)	+22.8	26,062 (17,922)	300,138 (240,905)	20.0 (18.4)	150,237 (121,570)
TOTAL CAPITAL GOODS	72	345,899 (288,027)	-20.1	265,774 (222,033)	218,013 (184,778)	91,250 (87,701)	122,596 (90,937)	+34.8	33,864 (27,265)	-24.2	158,507 (119,734)	1,457,063 (1,018,257)	18.2 (21.8)	702,510 (597,947)
ELECTRONICS RADIO & TV	2	1,447 (1,195)	-21.1	1,057 (848)	1,009 (843)	591 (506)	410 (339)	-20.9	154 (119)	+12.6	207 (411)	3,653 (3,036)	28.9 (27.9)	1,634 (1,545)
HOUSEHOLD GOODS	9	15,807 (13,947)	+13.3	11,587 (10,172)	10,095 (9,303)	4,858 (4,834)	5,200 (4,432)	+17.3	1,687 (1,856)	-9.1	6,948 (5,845)	69,882 (56,322)	16.6 (18.1)	33,198 (25,356)
MOTORS & COMPONENTS	12	179,996 (131,369)	+37.0	145,675 (105,279)	126,684 (88,287)	59,095 (44,254)	55,284 (41,815)	+32.2	14,006 (10,951)	-27.9	81,073 (42,570)	739,631 (648,115)	19.7 (16.2)	319,686 (286,877)
MOTOR DISTRIBUTORS	13	36,620 (24,237)	+51.1	26,255 (16,418)	20,830 (11,916)	9,653 (6,243)	11,547 (5,549)	+108.1	2,917 (2,514)	+16.0	17,330 (9,290)	160,718 (133,994)	16.5 (12.3)	39,377 (35,554)
TOTAL CONSUMER DURABLES	36	233,870 (170,748)	-37.0	184,584 (132,717)	158,618 (110,349)	74,197 (55,837)	72,441 (52,206)	+38.8	18,744 (15,440)	+21.4	105,552 (58,116)	973,884 (841,467)	19.0 (15.8)	393,895 (349,532)
BREWERIES	8	344,490 (294,122)	+17.1	275,551 (243,996)	230,790 (188,952)	112,711 (98,989)	113,349 (86,328)	+31.3	44,695 (37,871)	-18.0	136,885 (100,345)	1,841,105 (1,636,437)	15.0 (14.9)	217,174 (172,474)
DISTILLERIES & WINES	1	4,229 (3,260)	+29.7	3,830 (2,868)	3,354 (2,436)	1,636 (1,186)	1,718 (1,250)	+37.4	739 (661)	+11.8	1,353 (938)	23,550 (18,159)	16.3 (15.8)	13,381 (8,413)
HOTELS & CATERERS	3	163,544 (142,486)	+14.8	136,861 (116,723)	79,875 (58,503)	40,152 (30,565)	38,168 (26,839)	+42.2	13,209 (11,688)	-13.0	50,036 (39,483)	1,155,527 (1,113,492)	11.8 (10.5)	65,626 (14,604)
LEISURE	6	22,379 (16,705)	+34.0	16,309 (11,814)	15,467 (10,816)	8,406 (6,113)	7,032 (4,865)	+44.5	2,848 (2,031)	+40.2	9,314 (6,989)	39,680 (28,162)	41.1 (41.9)	17,509 (11,437)
FOOD MANUFACTURING	4	114,460 (99,858)	+14.6	87,849 (78,634)	66,415 (66,915)	17,656 (28,546)	45,112 (35,255)	+28.0	10,417 (7,709)	-35.8	59,436 (46,353)	576,233 (409,959)	15.2 (19.2)	117,788 (53,950)
FOOD RETAILING	4	36,146 (27,681)	+30.6	30,866 (23,394)	28,520 (21,523)	13,723 (10,852)	14,773 (10,648)	+38.7	4,230 (3,772)	+12.1	8,629 (10,677)	94,506 (73,641)	33.7 (31.8)	2,153 (—2,611)
NEWSPAPERS AND PUBLISHERS	4	9,624 (6,166)	+56.1	6,524 (3,418)	4,589 (1,823)	1,550 (1,533)	3,211 (258)	+1144.6	1,072 (950)	+12.8	4,698 (1,599)	45,801 (43,225)	14.2 (7.9)	14,219 (9,685)
PACKAGING AND PAPER	3	12,527 (7,601)	+64.8	8,675 (4,454)	7,817 (3,688)	1,386 (1,994)	6,400 (1,664)	-284.6	1,212 (581)	+106.6	8,134 (3,378)	34,975 (27,415)	24.8 (16.2)	9,071 (7,904)
STORES	6	20,652 (19,036)	+8.5	14,531 (13,606)	8,728 (7,666)	4,757 (4,847)	5,430 (2,705)	+100.7	2,464 (2,396)	+2.8	6,524 (4,882)	252,201 (212,936)	6.2 (6.4)	12,401 (16,260)
CLOTHING AND FOOTWEAR	5	8,132 (5,503)	+47.8	6,606 (4,130)	5,846 (3,631)	1,976 (1,830)	3,831 (1,768)	+116.7	856 (731)	+17.1	4,009 (1,978)	34,508 (27,735)	19.1 (14.9)	18,282 (14,661)
TEXTILES	6	10,697 (8,564)	+24.9	7,626 (6,041)	6,997 (5,463)	3,475 (2,899)	3,502 (2,567)	+36.4	927 (817)	-13.5	4,955 (3,648)	34,859 (29,080)	21.9 (20.8)	16,796 (12,661)
TOBACCO	1	541,000 (491,680)	+10.0	473,000 (430,000)	416,000 (374,000)	184,000 (186,000)	210,000 (167,000)	+25.7	43,670 (36,000)	-21.3	231,330 (190,000)	2,567,000 (2,447,000)	18.4 (17.6)	1,150,000 (1,805,000)
TOYS AND GAMES	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
TOTAL CONSUMER NON-DURABLE	51	1,287,880 (1,122,661)	+14.7	1,068,248 (939,078)	874,399 (745,406)	391,238 (375,354)	452,526 (341,147)	-32.6	126,339 (105,207)	+20.1	525,303 (410,270)	6,699,965 (6,067,242)	15.9 (15.5)	1,650,094 (1,524,438)
CHEMICALS	2	178,940 (155,300)	+15.2	115,730 (102,582)	92,133 (81,513)	38,608 (40,839)	45,917 (34,316)	+33.8	9,869 (7,425)	-32.9	73,791 (58,677)	687,137 (568,468)	16.8 (18.0)	130,336 (111,139)
OFFICE EQUIPMENT	3	5,851 (3,204)	+82.6	4,295 (1,931)	3,918 (1,623)	1,632 (1,082)	2,207 (451)	-389.4	626 (569)	+10.0	2,919 (861)	17,937 (15,389)	23.9 (12.5)	5,082 (3,497)
SHIPPING	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
MISC. INDUSTRIAL	13	185,431 (149,087)	+24.4	143,949 (114,971)	115,801 (88,903)	46,622 (38,520)	65,543 (48,354)	-35.5	20,156 (15,504)	-29.9	85,535 (66,356)	996,600 (838,493)	14.4 (13.7)	126,779 (113,055)
TOTAL INDUSTRIALS	177	2,237,871 (1,889,027)	+18.5	1,782,580 (1,513,312)	1,462,884 (1,212,572)	643,537 (599,333)	761,230 (567,401)	-34.2	209,578 (171,410)	-22.3	951,533 (714,016)	10,932,926 (9,349,316)	16.5 (16.2)	3,008,696 (2,699,408)
OIL	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
BANKS	1	85,118 (72,389)	+17.6	64,083 (57,710)	64,083 (57,710)	33,582 (30,904)	30,447 (26,752)	+13.8	5,918 (5,298)	-11.7	43,264 (35,844)	346,944 (307,274)	18.5 (18.8)	-2,685 (-2,632)
DISCOUNT HOUSES, MERCHANT BANKS etc.	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
HIRE PURCHASE	2	71,260 (65,820)	+8.3	44,688 (40,999)	17,711 (14,766)	9,277 (7,901)	8,041 (6,646)	+21.0	4,174 (3,667)	-13.8	30,089 (27,488)	448,286 (364,437)	10.0 (11.2)	60,334 (—37,227)
INSURANCE	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
INSURANCE BROKERS	2	15,775 (12,831)	-22.9	12,949 (10,410)	11,029 (8,022)	5,531 (4,026)	5,270 (3,996)	-31.9	1,632 (1,463)	-11.6	5,560 (4,136)	19,982 (3,079)	64.8 (338.1)	6,462 (5,736)
INVESTMENT TRUSTS	35	42,756 (38,411)	+11.3	41,113 (36,484)	31,500 (26,304)	12,367 (10,473)	18,209 (14,986)	+21.5	16,652 (13,840)	-20.3	2,359 (1,884)	660,332 (638,182)	6.2 (5.7)	34,961 (15,808)
PROPERTY	6	54,609 (55,692)	—1.9	52,295 (53,208)	11,211 (9,897)	7,634 (7,090)	2,835 (2,010)	-40.5	3,657 (1,743)	+109.8	597 (1,725)	683,588 (883,952)	7.7 (6.0)	38,829 (29,651)
MISC. FINANCIAL	6	62,318 (41,675)	+49.5	57,287 (30,136)	27,137 (16,794)	12,665 (8,541)	13,992 (7,776)	+79.9	5,156 (4,239)	-21.6	12,715 (6,668)	455,527 (300,658)	13.2 (15.0)	23,524 (26,017)
TOTAL FINANCIAL	52	331,836 (286,818)	+15.7	272,425 (228,947)	162,671 (133,493)	81,056 (63,935)	78,784 (62,166)	-26.7	37,189 (30,250)	-22.9	96,584 (77,745)	2,594,659 (2,397,562)	10.5 (9.5)	151,425 (59,353)
RUBBER	1	339 (261)	+29.9	335 (257)	335 (257)	130 (107)	204 (149)	36.9	95 (84)	-13.1	116 (65)	3,266 (3,017)	10.3 (8.5)	255 (358)
TEA	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
TIN	2	3,183 (3,420)	-6.9	2,779 (2,818)	2,778 (2,818)	2,077 (1,733)	702 (1,084)	-35.2	702 (606)	-15.8	329 (695)	5,735 (5,395)	48.5 (50.3)	65 (557)
MISCELLANEOUS MINING	—	— (—)	—	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
OVERSEAS TRADERS	5	161,155 (166,868)	-2.7	137,492 (134,258)	104,660 (113,716)	34,503 (56,791)	60,074 (42,919)	-40.0	17,526 (10,974)	+59.7	65,209 (51,410)	832,407 (585,679)	16.5 (19.6)	117,684 (138,359)
TOTAL COMMODITIES	8	164,677 (160,549)	+2.6	140,606 (137,333)	107,773 (116,791)	36,709 (58,631)	60,980 (44,152)	+38.1	18,323 (11,564)	+57.1	65,547 (52,170)	841,408 (594,294)	16.7 (19.8)	118,004 (158,180)

NOTES ON COMPILATION OF THE TABLE

The classification follows closely that of the Institute and Faculty of Actuaries, which has been adopted by the Stock Exchange Daily Official List.

Col. 1 gives trading profits plus investment and other normal income properly belonging to the financial year covered. The figure is struck before charging depreciation, loan and other interest, directors' emoluments and other items normally shown on the profit and loss account. Excluded are all exceptional or non-recurring items such as for example capital profits, unless the latter arise in the ordinary transaction of business.

N.B.—Certain companies, including merchant banks, discount houses, insurance and shipping companies are exempted from disclosing the full information required under the Companies Act, 194[illegible].

Col. 2 gives profits before interest and taxation that is to say profits after all charges except loan and other interest but before deducting taxation provisions and minority interests. In the case of Banks no figure can be shown because of non-disclosure (see foregoing paragraph).

Col. 3 gives Pre-tax Profits that is to say profits after all charges including debenture and loan interest but before deducting taxation provision and minority interests.

Col. 4 groups all corporate taxation including Dominion, Colonial and Foreign liability and future tax provisions but excludes adjustments relating to previous years.

Col. 5 gives the net profits accruing on equity capital after meeting—

1—Minority interests.

2—All other charges—sinking fund payments, etc., and Preference dividends; and

3—Provisions for staff and employees pensions funds where this is a standard annual charge against net revenue.

Col. 6 sets out the net cost of dividend on equity capital.

Col. 7 is the capital generated internally over a year's trading. For the purposes of comparison cash flow [illegible] depreciation less equity dividends in the [illegible] method of computing this figure.

Col. 8 constitutes the total net capital employed. This is the total of net fixed assets—excluding intangibles such as goodwill—plus current assets less current liabilities [illegible] bank overdrafts.

[illegible] and discount [illegible] figure to relate to [illegible].

[illegible] net return on capital [illegible] as a percentage [illegible] an indication of [illegible].

[illegible] banks, discount [illegible].

[illegible] are arrived at [illegible] of current liabilities and [illegible] from current assets.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY, MAY 22

COMPANY MEETINGS—
Amalgamated Metal, Winchester House, Old Broad Street, EC, 10
Automated Security, 25-26, Hampstead High Street, NW, 12
Hiltons Footwear, Scudamore Road, Brownstone, Leicester, 12
Marshall Cavendish, Piccadilly Hotel, Piccadilly W, 11.30
Wolstenholme Bronze Powders, Springfield Works, Springfield Road, Bolton, 12

BOARD MEETINGS—
Finals:
Imp. Cold Storage and Supply
Outwich Inv. Tst.
Winchmore Inv. Tst.
Interims:
Dubilier
Stockholders Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—
Bank of Scotland 5.449p
Beckman (A.) 1.77p
Burndene Invs. 0.5p
Courtney Pope 1p
Dixor 0.2560p (1/10/77)
Greenbank Ind. 0.85p
Herts. 5¼pc Rd. 1978-80 2⅝pc
Horizon Midlands 2.25761p
Ingall Inds. 0.61p
Kalamazoo 0.925p
Metal Closures 2.5136p
North Atlantic Secs. 1.2p
Oil Explrn. 2.1078p
Philips' Lamps Fl 1.1
Sharna Ware 1.4058p
Slough Ests. 1.515p
Spirax-Sarco Eng. 5.19p
Sykes (Henry) 2.65p
Wolstenholme Bronze Powders 4.5665p

TOMORROW, MAY 23

COMPANY MEETINGS—
Anchor Chem., Midland Hotel, Manchester, 11.30
Bridon, Chartered Accountants Hall, Moorgate, EC, 12
Brit. Printing, 20, Aldermanbury, EC, 12
Fisons, Dorchester Hotel, Park Lane, W, 12
Lindsay and Williams, Openshaw Bridge Works, Ashton Old Road, Manchester, 3
Tricentrol, Abercorn Rooms, Great Eastern Hotel, Liverpool Street, EC, 12
Websters Publications, Winchester House, 77, London Wall, EC, 12
York Trailer, Yafforth Road, Northallerton, North Yorkshire, 12

BOARD MEETINGS—
Finals:
Advance Laundries
Ambrose Inv. Tst.
Fine Art Devs.
Hunting Asscd. Inds.
Leisure Caravan Parks
Transparent Paper
Wace Grp.
Interims:
Borthwick (Thomas)
K Shoes
Muirhead
Plaxton's (Scarborough)
Redfearn Natl. Glass
Scottish Nat. Trust

DIVIDEND & INTEREST PAYMENTS—
Ash and Lacy 3.6343p
Barnet 7½pc Bds. Rd. 29/11/78 3¾pc
Barnsley 12⅞pc Bds. Rd. 19/5/82 6⁷⁄₁₆pc
Bibby (J.) 4.0373p
Brent 12⅞pc Bds. Rd. 19/5/82 6⁷⁄₁₆pc
Bristol Stadium 0.344p
Brotherhood (Peter) 1.815p
Bury 7½pc Bds. Rd. 29/11/78 3¾pc
Cent. Scotland Water Dev. Bd. 3½pc Bds. Rd. 21/11/78 ⁴⁹⁄₆₄pc
Croydon Variable Rate Bds. Rd. 19/11/80 £3.4875
Eastbourne 8⅛pc Bds. Rd. 21/11/79 4¹⁄₁₆pc
Enfield 7½pc Bds. Rd. 29/11/78 3¾pc
Finlay Packaging Ord. Units 0.3436p
Gosport 12⅞pc Bds. Rd. 19/5/82 3⅞pc
Intercom Shs. (n.p.v.) BFr 142. Do. Shs. (n.p.v.) (Rkg. Div. 1/5/77) BFr 94.66
Islwyn Var. Rate Bds. Rd. 17/11/72 £3.5500
Kilmarnock and Loudoun 7½pc Bds. Rd. 29/11/78 3¾pc
Lliw Valley 9½pc Bds. Rd. 19/11/80 4¾pc
London and Strathclyde Tst. 0.475p
Manchester Var. Rate Bds. Rd. 17/11/82 £3.5500
Met. Police District 7½pc Bds. Rd. 29/11/78 3¾pc
Mid Bedfordshire Var. Rate Bds. Rd. 19/11/80 £3.4875
Milton Keynes Var. Rate Bds. Rd. 17/11/82 £3.5500
Monklands 7½pc Bds. Rd. 29/11/78 3¾pc
Newark 7½pc Bds. Rd. 29/11/78 3¾pc
Newcastle upon Tyne 7½pc Bds. Rd. 29/11/78 3¾pc
Newham Var. Rate Bds. Rd. 17/11/82 £3.5500
North Herts. 7½pc Bds. Rd. 29/11/78 3¾pc
North Tyneside 7½pc Bds. Rd. 29/11/78 3¾pc
Nuneaton 7½pc Bds. Rd. 29/11/78 3¾pc
Redditch 7½pc Bds. Rd. 29/11/78 3¾pc
Rhondda 7½pc Bds. Rd. 29/11/78 3¾pc
St. Edmundsbury 12⅞pc Bds. Rd. 19/5/82 6⁷⁄₁₆pc
Salford 7½pc Bds. Rd. 29/11/78 3¾pc
Shell Transport and Trading (Reg.) 6.882p. Do. (Br.) 6.882p
Smith and Nephew Assoc. 1.6186p
South Oxfordshire 9⅛pc Bds. Rd. 19/11/80 4⁹⁄₁₆pc
Startrite Eng. 1.4p
Sunderland 7½pc Bds. Rd. 29/11/78 3¾pc
Wansbeck 7½pc Bds. Rd. 29/11/78 3¾pc
West Dorset 7½pc Bds. Rd. 29/11/78 3¾pc
West Lothian 8⅛pc Bds. Rd. 21/11/78 4¹⁄₁₆pc

WEDNESDAY, MAY 24

COMPANY MEETINGS—
Berwick Timpo, Wells House, 79, Wells Street, W, 12
Blackwood Hodge, Dorchester Hotel, Park Lane, W, 12.30
Boosey and Hawkes, Cafe Royal, 68, Regent Street, W, 12
Bronx Eng., 75, Harborne Road, Edgbaston, Birmingham, 12
Dickinson Robinson, 1, Redcliffe Street, Bristol, 12
Francis Inds., Great Eastern Hotel, Liverpool Street, EC, 12.30
Gen. Accident Fire and Life Assn., General Buildings, Perth, 11.30
Gibbs (Antony) Winchester House, 100, Old Broad Street, EC, 12
Harrison and Sons, Stationers' Hall, Ludgate Hill, EC, 12
Ladbroke, 11, Copthall Avenue, EC, 11
Lyle Shipping, Trado House, Glassford Street, Glasgow, 12
Menzies (John), 20, Hanover Street, Edinburgh, 12.15
Pearl Assurance, High Holborn, WC, 12
Portals, Connaught Rooms, Great Queen Street, WC, 12.30
Provident Life Assn. of London, Abercorn Rooms, Liverpool Street, EC, 12
Rio Tinto-Zinc, Commonwealth Hall, 16-20, Craven Street, WC, 11
Rotork, Rotork House, Brassmill Lane, Bath, 3
Stanley (A. G.), Stanley House, Cray Avenue, Orpington, 4
Sun Alliance and London Ins., 1, Bartholomew Lane, EC, 12.30
Sun Life Ass. Soc., 107, Cheapside, EC, 12.30
Ultramar, Winchester House, 100, Old Broad Street, EC, 11.30
Vosper, 32, Curzon Street, W, 12
Weir Grp., Merchants' Hall, 30, George Square, Glasgow, 12
Westminster Property, Voltaire Room, Grosvenor House, Park Lane, W, 12

BOARD MEETINGS—
Finals:
Allied Leather
Brit. Syphon
Brunning
Dwek Grp.
Eastern Produce
Glossop (W. and J.)
Govett European Tst.
Hill (Philip) Inv. Tst.
Keyser Ullmann
London Atlantic Inv. Tst.
London and Northern Grp.
Monks Inv. Tst.
Pritchard Services
Trust Union
Interims:
Avon Rubber
BOC Intnl.
Carr (John) (Doncaster)
Dennis (J. H.)
MEPC
Ransome Hoffmann Pollard

DIVIDEND & INTEREST PAYMENTS—
BPM A and B 0.8125p
Bridon 3.843p
Capseals 0.88p
Clarkson Intnl. Tools Db. 1982-87 3½pc
Cory (Horace) 0.3375p
Cory (Horace) 0.3375p. Do. 6½pcPtg.Pf. 3.15pc
Lindsay and Williams 2.5p
London Pavilion 12.5p
Royal Bank of Canada 37.5cts.
Sandvik Aktiebolag B SKr 5.75
Selton 9½pc Bds. Rd. 24/5/78 £4.7771
Southampton IoM and South of England Royal Mail Steam Packet 5.81p
Tilling (Thomas) 14.04079p
Turnbull Scott Shipping A 4p
Websters Publications 0.603385p

THURSDAY, MAY 25

COMPANY MEETINGS—
Assod. Portland Cement, Dorchester Hotel, Park Lane, W, 12
Aurora, Tapton Hall, Shore Lane, Fulwood Road, Sheffield, 12.30
Baird (William), Central Hotel, Gordon Street, Glasgow, 12
Beauford, George Hotel, Huddersfield, 12
Bellair Cosmetics, New Road, Winsford, Cheshire, 11
Bentalls, Wood Street, Kingston upon Thames, 12
Cadbury Schweppes, Connaught Rooms, Great Queen Street, WC, 12
Carpets Intnl., Carpets Intnl. Centre, 14-15, Berners Street, W, 12
Fogarty (E.), Havenside, Fishtoft Road, Boston, Lincolnshire, 2.15
Freemans (London SW9), Connaught Rooms, Great Queen Street, WC, 12
Grattan Warehouses, Bradford, 12
Harris and Sheldon, North Court, Packington Park, Nr. Meriden, Warwickshire, 3
Hoskins and Horton, Midland Hotel, New Street, Birmingham, 12.30
London Brick, Connaught Rooms, Great Queen Street, WC, 12
Low and Bonar, Angus Hotel, Dundee, 12
Magnolia, Sutton Road, Rochford, Essex, 12
Marshall (Thomas) and (Loxley), Royal Victoria Hotel, Sheffield, 12
Newarthill, Imperial Hotel, Russell Square, WC, 12.30
Ofrex, Ofrex House, Stephen Street, W, 11
Phoenix Ass., Phoenix House, 4-5, King William Street, EC, 12
Prudential Ass., 142, Holborn Bars, EC, 12.15
Quick (H. and J.), 660, Chester Road, Old Trafford, Manchester, 11
Reckitt and Colman, Connaught Rooms, Great Queen Street, WC, 11
Revertex Chemicals, West Road, Temple Fields, Harlow, Essex, 12
Sharpe and Fisher, Golden Valley Hotel, Gloucester Road, Cheltenham, 12
Smith (W. H.), 76, Shoe Lane, EC, 2.30
Taylor Pallister, Royal Station Hotel, Newcastle upon Tyne, 11
Tern-Consulate, Lawrence Road, Tottenham, N12
Whittington Eng., New Whittington, Chesterfield, 12
Willis Faber, Ten Trinity Square, EC, 11
Wilson (Connolly), Saxon Inn, Northampton, 12

BOARD MEETINGS—
Interims:
Scottish Inv. Tst.
Spencer Clark Metal Inds.

DIVIDEND & INTEREST PAYMENTS—
Baker Intnl. 22cts.
Beauford 2.34p
Blaenau Gwent 11⅞pc Bds. Rd. 21/5/80 5¹⁵⁄₁₆pc
Blyth Valley 10½pc Bds. Rd. 23/5/79 5¼pc
Coronation Syndicate 2cts.
Eaton Cpn. 56.25cts.
Epping Forest 10½pc Bds. Rd. 23/5/79 5¼pc
Gen. Investors and Trustees 2.4p
Greater London Council 12¼pc 1982 6⅛pc
Greater Manchester Passenger Transport Executive 11⅞pc Bds. Rd. 21/5/80 5¹⁵⁄₁₆pc
Hounslow Var. Rate Bds. 1982 £3.3307
Islington 11⅞pc Bds. Rd. 21/5/80 5¹⁵⁄₁₆pc
Jove Inv. Tst. Inc. 1.8p
Lothian 10½pc Bds. Rd. 23/5/79 5¼pc
McBride (Robert) (Middleton) 2.4509p
Molins 5.15p
Prudential Ass. 4.196p
Rhodesian Con. 0.56p
Rhymney Valley 10⅞pc Bds. Rd. 19/5/82 5⁷⁄₁₆pc
Richards (Leicester) 2.634p
Stanley (A. G.) 3.32728p
Tweefontein Utd. Collieries 38cts.
West Lancashire 11⅞pc Bds. Rd. 21/5/80 5¹⁵⁄₁₆pc
Wood (Arthur) and Son (Longport) 0.898425p

FRIDAY, MAY 26

COMPANY MEETINGS—
Babcock and Wilcox, The Business Centre, 116, Pall Mall, SW, 12.30
Bestobell, Sheraton Skyline Hotel, Bath Road, Middlesex, 11
Boulton (William), North Stafford Hotel, Stoke-on-Trent, 12
Breedon and Cloud Hill Lime Wks., Breedon-on-the-Hill, Leicestershire, 12
Brown and Jackson, Crest Hotel, Preston, Lancashire, 12
Catalin, Churchgate Hotel, Churchgate Street, Harlow, Essex, 12
Clayton and Son, Queen's Hotel, Leeds, 2
Clifford's Dairies, Maidenhead Eurocrest Hotel, Maidenhead, Berkshire, 11.30
Eagle Star Ins., Queen's Room, Baltic Hotel, St. Mary Axe, 12
Grampian, Stag House, Castlebank Street, Glasgow, 12
Hawthorn (R. and W.) Leslie, Great Eastern Hotel, Liverpool Street, EC, 12
Lane (Percy), Cocorde Suite, The Excelsior Hotel, Birmingham, 12
Minet, Abercorn Rooms, Liverpool Street, EC, 12
Pearson Longman, Vicars Conference Hall, Mill Bank Tower, SW, 11.30
Pearson (S.), Vicars Conference Hall, Mill Bank Tower, SW, 12
Photax (London), Brampton Road, Hampden Park, Eastbourne, 12
Ready Mixed Concrete, Dorchester Hotel, Park Lane, W, 11.30
Spear and Jackson, Chartered Accountants' Hall, Moorgate Place, EC, 11
Supra, 75, Harborne Road, Edgbaston, Birmingham, 12

BOARD MEETINGS—
Finals:
Ewer (George)
Wettern Bros.
Interims:
Enalon Plastics

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Cpn. 14⅞pc Bds. Rd. 24/11/78 7⁷⁄₁₆pc
Aurora 3.96p
Bentalls 1.18024p
Biddle 4.6763p
Blackwood Hodge 1.604p
Ham, N. 12
Whittington Eng., New Whittington, Chesterfield, 12
Willis Faber, Ten Trinity Square, EC, 11
Wilson (Connolly), Saxon Inn, Northampton, 12
Wood (Arthur), Stoke-on-Trent, 12

BOARD MEETINGS—
Finals:
Ash Spinning
Ayrshire Metal Prods.
Beecham
Courtaulds
Exchange Telegraph
Intnl. Paint
Kayser Bondor
Lamont
Minster Assets
New Throgmorton Tst.
Polymark
Press (William)
Sumner (Francis)
Time Prods.
Interims:
Assod. Eng.
Bass Charrington
Caravans Intnl.
Fluidrive Eng.
Gomme
Homfray
ICL
Jenks and Cattell
Keystone Invs.
Marley
Morland
Props. of Hay's Wharf
Blantyre Tea 35p
Breedon and Cloud Hill Lime Wks. 3.765p
Bronx Eng. 1.172p
Brown and Jackson 1p
Cape Inds. 5.302p
Catalin 2.2125p
Clayton Son 3.1944p
Clifford's Dairies Prop. repayment of 7½pc Db. 1986-91 at £90pc plus accrued int.
Clydesdale Inv. 0.6p
Cullens Stores A 0.66p
Drayton Consd. Tst. 2p
Electrolux (Aktiebolaget Electrolux) B SKr 6.3
English Prop. 1.05p
Expanded Metal 2.09p
FC Finance 1p
Fogarty (E.) 2.2718p
Fothergill and Harvey 3.9613p
Harris and Sheldon 1.559p
Hunt and Moscrop (Middleton) 0.325p
Intnl. Combustion 6p
Kent (M. P.) 0.66p
Le Vallonet Inv. Tst. 2.125p
Low (William) 1.65p
McCleery L'amie 0.2p
Maynards 1.54p
Municipal Props. 5.095p
Pye 2.3434p
Quick (H. and J.) 0.858p
Rotork 1.2p
Stone-Platt Inds. 1.33p
Unicorn Inds. 3.4759p
Whittington Eng. 2.739p
Willis Faber 6.125p

SATURDAY, MAY 27

BOARD MEETINGS—
Finals:
Towles

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Cpn. 10½pc Bds. Rd. 25/5/79 5¼pc
Clifford's Dairies Ord. and N-vtg. Ord. 1.90575p
Grampian 2.4925p
Ofrex 2.34p
Spear and Jackson 5.8p

SUNDAY, MAY 28

DIVIDEND & INTEREST PAYMENTS—
Leeds Floating Rate 1982 £4.1250

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 24	Business to Business Exhibition	Horticultural Halls, S.W.1
May 31—June 3	Royal Bath and West Show	Shepton Mallet
June 2—4	Third Hot Rod and Custom Car Show	Belle Vue, Manchester
June 4—7	Lighting and Electrical Installation Exhibition	Wembley Conf. Centre
June 5—8	British Hospitals Exhibition	Olympia
June 5—8	Decorative products trade exhibition (Walpadex)	Nat. Exbn. Centre, B'ham
June 5—9	Ind. Process Cont. Instrumentaton and Systems	U.S. Trade Center, W.1
June 6—8	Print Fair '78	New Hort. Hall, S.W.1
June 6—8	International Word Processing Exbn. and Conf.	Wembley Conf. Centre
June 8—10	Royal Cornwall Show	Wadebridge
June 8—10	South of England Show	Ardingly, Sussex
June 9—17	The Fine Art and Antiques Fair	Olympia
June 11—15	Shopfitting, contract furnishing, kitchen and bathroom equipment, joint exhibition	Nat. Exbn. Centre, B'ham
June 13—15	Three Counties Show	Malvern
June 14—18	International Fisheries and Marine Equip. Exbn.	Aberdeen
June 25—29	First International Frozen Foods Conf. and Exbn.	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 28—June 1	Internatonal Industrial Equipment Exhibition	Brussels
May 30—June 4	Int. Fair of Equipment for Civil Protection	Kranj, Yugoslavia
May 31—June 3	Int. Bio-Medical Engineering Exhibition	Stuttgart
June 2—11	International Trade Fair	Barcelona
June 4—8	Israel Technology Week	Jerusalem
June 5—10	Int. Exhibition of Machine Tools and Tools	Zagreb
June 5—10	British Industrial and Scientific Technology Exbn.	Seoul
June 12—16	World Congress on Automatic Control	Helsinki
June 13—21	Int. Rubber and Plastics Conference and Exbn.	Paris
June 15—18	Solar Energy Exbn. and Congress	Genoa
June 20—24	International Wire Exhibition	Basle
June 24—30	International Dairy Equipment Exbn. and Conf.	Paris
June 27—30	Public Transport Systems in Urban Areas, Exbn. and Conf.	Göteborg
July 2—9	International Rehabilitation of the Handicapped, Exbn. and Congress	Basle
July 4—6	Third Int. Conf. and Exbn. on Marine Transport using Roll-on/Roll-off Methods	Hamburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
May 24	Imperial College: International Finance	London, S.W.7
May 24	British Institute of Management: Cost savings through materials handling	Tickled Trout Hotel, Preston
May 24	Stock Exchange, Northern Unit: Annual Investment Conference	Adelphi Hotel, Liverpool
May 24—25	Anthony Skinner Management: Improving stock control	Piccadilly Hotel, W.1
May 24—25	Institutes of Chemical Engineers and Civil Engineers: Successful completion of overseas projects	UMIST, Manchester
May 25—26	European Study Conferences: Double Taxation—Taking advantage of international agreements	Old Government House Hotel, Guernsey
May 25	Inst. of Production Engs.: Application of Microprocessors and Mini-Computers in Manufacturing	Metropole Hotel, Birm'gh'm
May 25—26	British Textile Confederation: World Textile Trade—an International Perspective	Heathrow Hotel
May 28—31	European Foundation for Management Development: 7th annual Conference Private and Public Management in a Mixed Economy	Ghent
May 29—June 2	Dept. of Labour and Productivity, South Australia: International Conf. on Industrial Democracy	Adelaide
May 30—31	City University Business School: Recent Developments in Internal Auditing	Gresham College
May 31	Agra Europe (London): European Fisheries Conf.	Sheraton Hotel, Brussels
May 31	Institution of Public Health Engineers: Balsom Lecture—Prof. R. S. Engelbrecht	University College, London, W.C.2
May 31—June 2	Institution of Mechanical Engineers: Design and Devpmnt. of Small Internal Combustn. Engines	Isle of Man
June 1—2	EUROPMI (Organisation for small and medium sized enterprises in the EEC): The Future for Smaller Businesses in the European Community	Kensington Close Hotel W.8
June 1	Netherlands British Chamber of Commerce: Trading and Investment Opportunities in Dutch Limburg	King Street, Manchester
June 1—4	Assoc. Cambiste Internationale (org. of foreign exchange dealers): 20th Int. Congress—address by Pres. of Deutsche Bundesbank on current aspects of exchange rate policy	Munich
June 2—4	IPC Business Press: Commercial Motor's Vehicle Recovery Conf.	Bordon, Hants
June 4—9	British Association for Commercial and Industrial Education: Interpersonal Skills	Sackville Hotel, Hove
June 4—9	Centre for Educ. in International Management: The Senior Executive's Opportunities for Innovation	Geneva
June 5—6	Univ. of Pennsylvania: Management by Objectives—Fact versus Fiction	Hilton Hotel, London W.1
June 5—6	Oyez: British and European Direct Investment Chances in the United States	Hilton Hotel, London W.1
June 5—8	First Printed Circuit World Convention	Cafe Royal, London W.1
June 5—8	International Professional Security Association: 12th Annual Conference	Wembley Conf. Centre

Parliament this week

TODAY

COMMONS—Debate on pay of the Armed Forces. Motion on Financial Assistance for Industry (Increase of Limit) Order.

LORDS—Debate on policies on North Sea oil. Debate on refugees in the U.K.

SELECT COMMITTEES — Expenditure, Education, Arts and Home Office Sub-Committee. Subject: Provision for museums and libraries. Witnesses: Standing Commission on Museums, Standing Conference on Libraries 4.15 pm. Room 13.

Public Accounts. Subject: Northern Ireland Appropriation Accounts. Witnesses: N.I. Dept. of the Environment, N.I. Dept. of Education, 5 pm. Room 16.

Science and Technology, Japan Sub-committee. Subject: Innovative Research and Development in Japanese Science based industry. Witness: Mr. Alan Williams, Minister of State, Dept. of Industry, 6 pm. Room 5.

Expenditure Committee, General Sub-committee: Subject: Treasury proposals on supply estimates and cash limits. Witness: Treasury. 4.15 pm. Room 8.

TO-MORROW

COMMONS—Home Purchase Assistance and Housing Corporation Bill, remaining stages. Motion on the European Communities (Definition of Treaties) (No. 4) Order.

LORDS—Wales Bill, second reading.

SELECT COMMITTEES — Nationalised Industries, Sub-committee A. Subject: Innovations in Rural Bus Services. Witnesses: Association of County Councils 4 pm Room 8. Joint Committee on Statutory Instruments 4.15 pm Room.

WEDNESDAY

COMMONS—Motion on EEC Document on liner conferences. 7 pm. Opposed Private Business.

LORDS—Conservation of Wild Creatures and Wild Plants (Amendment) Bill, third reading. Films Bill, committee. Co-operative Development Agency Bill, second reading. Debate on comments made by Lord Donaldson of Kingsbridge about Mr. Basil Davidson's book "Discovering Africa."

SELECT COMMITTEES—Expenditure, Trade and Industry Sub-committee. Subject: Measures to prevent collisions and strandings of noxious cargo carriers in waters around the United Kingdom. Witnesses: Representative of Protection and Indemnity Club, Marine Insurers' Joint Hull Committee, 10.30 a.m., Room 16.

Nationalised Industries. Sub-committee B. Subject: Future of the Electricity Supply Industry. Witnesses: Electricity Consumers' Council, National Consumers' Council, 10.45 a.m., Room 8.

Expenditure, Environment Sub-committee. Subject: Housing. Witness: Mr. Reginald Freeson, Minister for Housing and Construction, 4 p.m., Room 5.

Public Accounts. Subject: Northern Ireland Appropriation Accounts. Witnesses: N.I. Dept. of Health and Social Security, 4 p.m., Room 16.

THURSDAY

COMMONS—Debate on the Army. Motion on the Army, Air Force and Naval Discipline Acts (Continuation) Order.

LORDS—At 11 a.m. Tuvalu Bill, third reading. Trustee Savings Bank Bill, committee. Motions to approve Planning (Amendment) (NI) Order, 1978, Health and Safety at Work (NI) Order, 1978, Building Regulations (NI) Order 1978, and Licensing (NI) Order 1978. House adjourns for Spring Holiday until June 6.

SELECT COMMITTEE — Race Relations and Immigration. Subject: Effects of EEC membership on Race Relations and Immigration. Witnesses: Officials from the Foreign and Commonwealth Office, Lord Chancellor's Dept. and the Dept. of the Environment, 4 p.m., Room 6.

FRIDAY

COMMONS—Debates on various subjects, before House adjourns for Spring Holiday until June 6.

Government 'can afford cuts in taxes'

By Michael Blanden

THE PROPOSED tax reductions in the Finance Bill can be afforded by the Government without the need for tax rises later in the year, the Charterhouse Group says to-day in its latest business forecast.

The group says that inflation in the U.K. will be higher than the Government's figure of 7 per cent. As a result, there would be an increase of £1bn. in tax revenue which, with tighter controls over local authority spending, would reduce the public sector borrowing requirement from the forecast £8.5bn. to nearer £7bn.

The forecasts are in sharp contrast to the worries expressed by other City commentators that the Government could exceed its expected borrowing requirement and have increasing trouble in the financial markets as a result.

Charterhouse is also fairly optimistic about the balance of payments. Anxieties about a massive rise in imports of manufactured goods later this year might be exaggerated in terms of the overall balance of payments since imports of both oil and food were on a level trend, the group says.

The great benefit of being based in Milton Keynes is that almost everywhere is nearer.

The M1 runs right alongside. The A5 runs right through the middle.

London is about an hour's drive one way. Birmingham is about an hour's drive the other way.

Which gives you the South East, the South Coast and the South West within a day's reach on one hand.

And on the other, East Anglia, Wales, the Midlands and much of the North.

In terms of population and industry, that's a very large slice of the U.K.

Not that the benefits stop at the coast, of course.

Sailing from Felixstowe, for example, a truck can reach many parts of Europe within 36 hours of leaving home.

When the 'spy in the cab' puts in its inevitable appearance, we will be even better placed.

Now all that goes a long way to explaining what businessmen see in Milton Keynes: a real reduction in transport costs.

But not the whole way.

We have factories and warehouses and offices in a whole range of sizes ready and waiting to move into.

And houses ready and waiting, for sale or rent.

And a unique combination of town and village, industry and countryside, highways and byways.

In fact, "We've moved to Milton Keynes" means just as much to people as it does to trucks.

MILTON KEYNES

FOR FURTHER INFORMATION CONTACT: DIRECTOR OF COMMERCE, MILTON KEYNES DEVELOPMENT CORPORATION, WAVENDON TOWER, WAVENDON, MILTON KEYNES MK17 8LX. TEL: 0908 74000.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPUTING

Micros make minis look expensive

GAMMA Computer Products, the newest joint venture offshoot of Gamma Associates group, has added to and rationalised its range of micro-based systems under a family name—Olympic. Three complete packaged systems make up the Olympic family: two new offerings, Triton and Poseidon, and the recently announced Proteus portable system.

All three members are available in commercial and scientific versions. Typical applications include small businesses, laboratory users, shop floor users, systems builders looking for components, process engineers developing automated control systems and large companies implementing distributed computing networks.

Proteus, the smallest, is a complete computer system packaged in a single unit the size of a traditional VDU. Like all members of the Olympic family, Proteus is built around the DEC LSI-11 processor with 64 kilo bytes of usable storage. Proteus comes packaged with over a megabyte of direct access storage on floppy discs. Also included are a 12 line by 40 character Burroughs Self Scan display panel, a keyboard and a Centronics printer working at 60 characters per second over 132 print positions.

Triton combines a 3.75 Megabyte floppy disc subsystem with the LSI-11 processor, a 180 character per second printer and at least one high resolution visual display unit into a compact system package.

Poseidon has 20m. byte storage capacity and 300 line per minute printing capability. In many applications Poseidon provides more storage and better throughput than several much larger minicomputer systems.

Gamma at Broadway House, 7/9 Shute End, Wokingham, Berks. RG11 1BH. 0734 784641.

Machine plant in Dublin

AMDAHL's next step in establishing a major and growing presence in Europe takes place in Dublin on May 24, when chairman Gene Amdahl opens the Corporation's first computer production plant outside the U.S. This Irish facility will supply the European market with Amdahl 470V systems.

Initially, production will be carried out in the Dublin suburb of Glasnevin, using newly built but temporary premises. After one year Amdahl expect to be occupying permanent facilities at nearby Swords.

In addition to Ireland, Amdahl's European operations now include sales and service bases in the UK, France Denmark, Germany, Norway and Switzerland. Following recent machine installations in Rome and Paris, the total number of Amdahl systems up and running in Europe to date is ten; significant numbers of orders are also in the course of delivery or in late stages of negotiation.

Amdahl (UK), Viking House, 29, Hampton Road, Hounslow. 01 572 4312.

Redifon makes its mark

BARELY THREE weeks after the official launch of the R-Range equipment from Redifon, the company has announced sales exceeding £2m. including 25 per cent of orders from Czechoslovakia.

Redifon, which claims to be as important to the UK computing industry as ICL, and to have received no Government assistance at all, is playing a major role in penetrating East European markets for up to the minute data processing technology.

There is no doubt that users in this market area are prepared to go a long way in the application of new technology. For instance, Bastro, the engineering centre which is part of the Czech Ostrava coal mines, is to have a real time, on-line stock and production control system based on the R equipment.

Synthesia at Pardubice is to have an R100 for collection and pre-processing of data for inventory control and production control in the manufacture of paints, plastics, explosives and drugs.

At home, the first customer for an R100 is Hunting Group Computer Ventre, Thornaby, Cleveland. The objective is to provide clean data for the main ICL machine in the service bureau.

The Borough of Lewisham is to use R equipment to provide clean data for a new IBM machine and Whitworth Electrical of Portsmouth will be doing similar work with a Redifon unit in support of an NCR Century 75.

More from Redifon Computers, Kelvin Way, Crawley, Sussex. 0293 31211.

● PROCESSING

Deep freeze works efficiently

DEMONSTRATION facilities for cryogenic processes opened by British Oxygen in Derby contain a number of pieces of equipment which will be new to Britain.

The plant is used to show potential operators how low temperatures can be used in scrap reclamation, freeze grinding, and deflashing projects.

Centre-piece is a rotary freezing tunnel, first of its type in the UK, designed for longevity and applicability to many types of reclamation operations. Equipment was developed in conjunction with Newell Dunford, Misterton, Yorks on the basis of a design by BOC's Australian subsidiary, Commonwealth Industrial Gases (Pty).

Trial work at Derby has already shown that tyres, electrical cable and tin cans can be treated efficiently and economically.

Using liquid nitrogen, the tunnel is the most economical method developed to date for freezing and embrittling many import industrial materials. To complete the pilot scale plant, a swing hammer pulveriser is used to fragment the frozen materials.

Patents have been applied for on the use of the tunnel as a continuous deflashing machine, removing the trim from rubber, plastic and zinc mouldings or castings.

A freeze grind unit, also using liquid nitrogen, will show how it is possible to process heat-sensitive materials, reducing them to fine powders without altering their chemical properties.

Further details from BOC on 01-560 5166.

Sheet cut precisely

POLYESTER photographic film, aluminium litho plate, rubber sheet up to ¼th inch thick, abrasive paper, all varieties of paper and card and even thin steel sheet can be cut to an accuracy of 0.25 mm using the Series 400 cutting table offered by W. E. Walker of Saffron Walden.

Using roll-fed stock, a lateral cutter first produces the length required. This is then laid flat on the table with the far, long edge against a back-stop; it is clamped in position and the table is adjusted to the required width with a lead screw, with distance from the datum continuously monitored by an optical encoder and digitally displayed.

The hinged beam carrying the longitudinal cutter (a cutting wheel on a traverse) is brought down by hand and then clamped pneumatically for the cut to be made. The long hardened steel edge of the table against which the cutting wheel presses and rotates gives the high accuracy, but is easily replaceable on site by the operator.

More on 076383 461.

● INSTRUMENTS

Fast tester of circuits

RELATIVE newcomer to the automatic test equipment marketplace is Columbia Automation, a small British company which is able to offer digital circuit test equipment in the £7,000 to £20,000 range as opposed to the £25,000 to £100,000 bracket often encountered with the majors in the field.

The company's latest product is driven by a microprocessor and can be used with a variety of peripherals, including VDU, teletypewriter, fast paper tape punch or floppy discs. Memory modules are available in both random access and read-only form for the storage of test programs and system software.

Testing can be performed on up to 200 bi-directional test lines in the standard system, expandable in blocks of ten.

The system, called Cat 2 is programmed by instantly recognisable statements which can be used to exercise the unit under test according to its normal function, and test it for expected outputs.

It is also possible to use programs generated automatically by the company's D-LASAR system: this permits program development in a few hours from basic circuit data.

Columbia is at 394 Bath Road, Slough SL1 6JA. 06286 4616.

Powerful scanner

DIGITAL, analogue and hybrid printed board assemblies can all be dealt with by the model 2270 tester from GenRad, solder shorts, open circuits, wrong or missing or out of tolerance parts all being indentified in a single pass and described in plain English on a printer.

The GR 2270 automatically generates up to 80 per cent of the test program from a simple circuit description in table form. Components, interconnections, values and tolerances are entered from a keyboard and the software conducts an analysis so that properly guarded component measurements are set up automatically. The keyboard is only used for this purpose and can be removed to provide more space during testing. Any interaction with the system during testing is carried out on a small key pad. An LSI 11 drives the tester.

Apart from the print out, a nine-inch CRT display presents alignment aids such as bar graphs for use in trimming or pre-setting adjustable components.

A vacuum controlled bed of nails fixture makes contacts with the board, with vacuum equipment built in.

More from the company at Bourne End, Bucks (06285 26611).

● ELECTRONICS

Keeps big spikes out

TRANSIENT voltages in excess of 40,000 volts containing energies up to 16,000 joules can be kept out of sensitive electronic equipment using solid state protectors put on the market by Unity Power Systems of Croydon.

The devices remove all unwanted surges and spikes from electrical systems within six nanoseconds, preventing motor and contactor problems as well protecting semiconductor devices. In addition the devices prevent solid state logic circuits from accepting voltage spikes as legitimate signals.

Two stage operation first of all clears any low level voltage disturbances (a relatively gradual process that minimises harmonic generation); then, within six nanoseconds a "hard clamp" comes on which dissipates major disturbances through a shunt discharge path.

UPS claims that the system, which is not subject to overload problems, can suppress virtually all RF voltage spiking such as that created by ballasted lighting circuits, delivering a very pure voltage sine wave to the protected equipment.

More from 44 Wellesley Road, Croydon, Surrey (01-680 3666).

● MATERIALS

Simple way to bar the cold

INSTA-SEAL is the name which has been given to a single-component urethane from dispensing system, for a variety of caulking and sealing applications in commercial, industrial and residential markets. Its simplicity of operation makes it attractive to the home handyman as well.

Leakage of cold air through cracks and crevices in even well-insulated homes accounts for about 30 per cent. of the load on a home's heating system. This figure can be reduced by as much as 50 per cent. by making doors and windows "tighter." The new product could be a useful means of minimising loss of heated air through cracks and crevices around window and door installations.

Insta-Seal is available in single, factory-pressurised containers ranging in size from 1 to 50 lb. All containers are disposable and each is complete with all equipment necessary to dispense a high quality foam.

The material, when dispensed from the nozzle, is fully expanded, eliminating the need for guess-work on the part of the operator as to the exact amount of foam required completely to fill a gap, as well as time necessary to trim any excess after the material has cured.

Another difference between the product and conventional gap and joint fillers is its density. Urethane foam has a density of two to four pounds per cubic foot, whereas latexes and silicones have a density of 80-90 pounds per cubic foot. The foam adheres to most surfaces without pre-treatment, and adhesion to wet surfaces is excellent, an important consideration on a building site.

Atlas Products and Services, Fraser Road, Erith DA8 1PX. Erith 32255.

● SECURITY

Stops loss from libraries

ILLEGAL borrowing, or stealing, of library books has increased so rapidly since the early 1970s that the authorities are being forced to instal electronic detection systems to catch culprits.

According to one specialist, something like 80-100 of these book detection systems—costing up to £12,000 each—will be installed this year, the largest number since they were introduced a few years ago.

Geoff Wride, UK manager for Library Systems, 3M United Kingdom, a major supplier, believes that book losses could be between £15-£25m a year. He has 70 of 3M's book detection systems at work in public and university libraries in the UK, and expects to supply half of the new systems being installed this year. He estimates £16m as a conservative figure for the loss of books over the year. The exact figure is hard to arrive at as few libraries ever have an opportunity to make a physical stock check.

Books are treated with a discrete device which is difficult to detect. When a book is issued legitimately, the library isuing staff, by means of a small portable unit, are able to "turn off" the device but in such a manner that no obvious change in the appearance of the book is apparent. The change is an electronic one which means that even if the reader should later on the same day or week of issue return to the library that book will not need to be handled again by the library staff. This is particularly important in educational environments where students frequently come and go using study or reference material while carrying with them properly issued books.

Alternatively the system can be used in a "by pass" mode. In this case the books are treated with a permanently "active" device, and when issued are merely handed around the system to the borrower, thereby avoiding the detection area.

In both modes of system when an attempt is made to take an unprocessed book through the screen without disclosing it, an alarm bell sounds, the exit gates lock and the person is interviewed. The policy for handling this situation is of course well laid down—some libraries will ask the person to go through again and if the alarm is again triggered off, the person is asked politely if a book has been over looked: in others hand baggage is searched—with the co-operation of the borrower—but no personal search of the individual is instigated. Prosecutions may follow, but emphasis is made about the deterrent value of such lenient policies.

More from 3M on 01-298 6044.

● METALWORKING

Gives exact solder heat

TIP temperatures of Antex 40 and 50 watt soldering irons can be kept within 2 per cent of any selected value between 150 and 420 degrees C using the TSCU soldering station put on the market by the company.

The unit, which also acts as a stand for the iron, contains a transformer for the 24 V supply and a circuit which controls the bit temperature by means of a thermocouple in the top of the instrument's heating element.

Power to the element is switched only when the voltage sinewave crosses zero voltage level, eliminating interference.

The copper bits are iron-coated and are plated with nickel and chromium to prevent loss of bit mass, and bits are changed simply by sliding them off and on to the stainless steel shaft containing the heater. The new bench unit measures 145 x 104 x 142 mm and weighs 470 gms.

More from Antex (Electronics), Armada Way, Plymouth, Devon (0752 67377).

IN BRIEF

● Switches and indicator lights with long life and low power consumption are available in the Dialight series of illuminated components distributed in the U.K. by Pye Electro-Devices of Newmarket (0638 5161).

● Intel has announced a "second generation" 8k x 1 bit dynamic random access memory. The two layer polysilicon process used gives low-power consumption, freedom from line noise and the ability to operate in latched or unlatched output mode. (0865 771431.)

● New memories are also announced by General Instrument Microelectronics—32k read only types with 450 and 350 nanosecond access times respectively, making them directly compatible with all popular microprocessor families. (01-439 1891.)

● Continuous wave laser diodes complete with optical fibre pigtails from which 500 microwatts are emitted at 820 nm can be supplied by Walmore Electronics. Maker is Laser Diode Corporation. (01-836 1228.)

● A tiny motor gearhead from Trident Engineering is small enough to be mounted directly on a printed board for turning small potentiometers and can also be used in servo products and tape drives. (0734 786444.)

Aids shaping of metals

A NEW cutting and grinding fluid called Crownsol S27 has been introduced by W. F. Smallman and Son of Great Bridge Street, West Midlands.

The fluid forms a semi-translucent emulsion in water and is claimed to be particularly suitable for arduous metal cutting operations. In different dilutions the oil is suitable for many grinding, metal cutting and rolling applications.

Also just put on the market is a tube drawing and metal-working lubricant formulated by Valzol Lubricants, of Excelsior Buildings, 61 Bridge Street, Walsall, West Midlands, WS1 1JW.

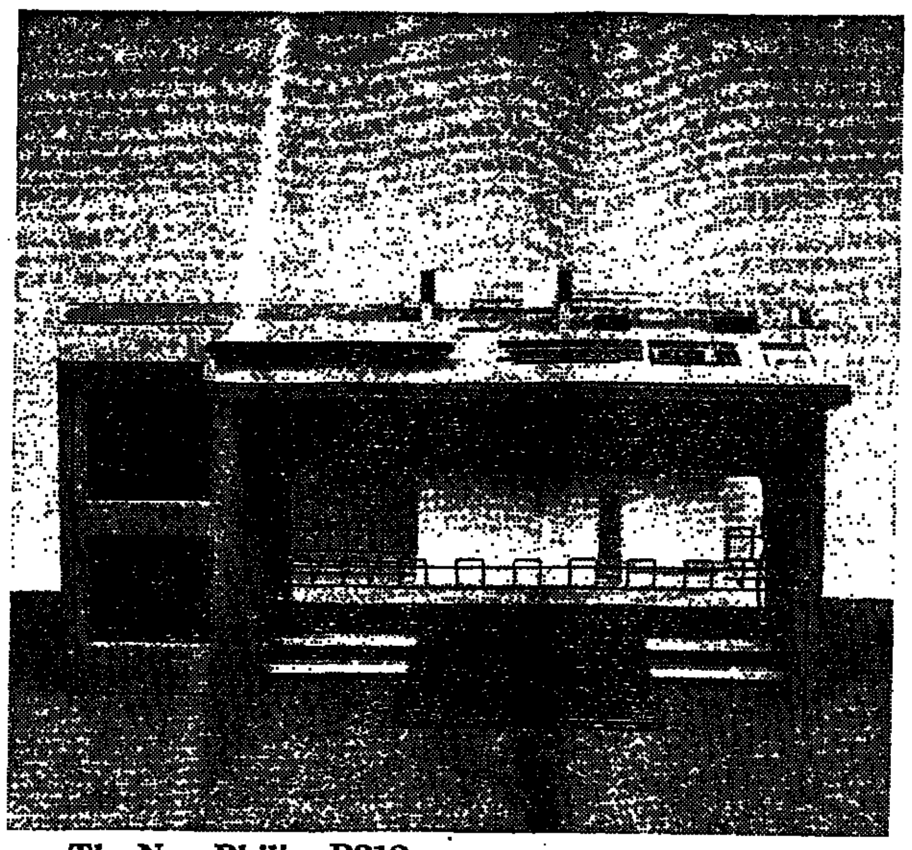
There is no need for phosphating, says the company, and application involves only a single cold dip. The product is described as a super-fatted aqueous based material which results in a good, bright finished surface, especially when tube drawing.

NEW FROM PHILIPS: 3 MORE COMPUTERS THAT TALK YOUR LANGUAGE.

The New Philips INFORMA

A low-cost, high-performance Accounting Computer for companies starting out in Data Processing. The INFORMA is designed to make life easy for its owner and its operator, and it comes with the backing of Philips' experience of 75,000 different installations behind it. Philips keep the costs down in three ways–low purchase price, low software costs (you have 200 proven library programs to choose from) and low running costs, with no specialist staff required.

If you are thinking about getting your first computer, the INFORMA talks your language.



The New Philips P312

This model brings the benefits of Flexible Disk Memory to the Office Computer Market: at a new, low cost, the P312 offers all the capacity, power and speed of much larger systems. The P312 is designed for the company which is finding its present system too slow and too limited to keep pace with growth: it's the ideal way for a small or medium-sized firm to gain the benefits of the latest computer technology without spending a fortune.

If you need fast, powerful processing for accounts and business records, you'll find the P312 talks your language.

The New Philips P330

With the P330, Europe's largest electronics company sets a new standard of price and performance for business computers. The P330 has high capacity memory with integral Flexible Disks, a fast-output printing unit, a display screen to access files and guide the operator, a sophisticated ergonomic design, and a host of other features to help process your accounts fast, accurately and intelligently. With a P330, you'll find that you accounting problems quietly disappear–and the information you need for management decisions will be there when you want it, right before your eyes.

If you need a computer as a management tool, the P330 talks your language.

PHILIPS–THE MOST COMPLETE RANGE OF COMPUTER SYSTEMS.

The Philips INFORMA

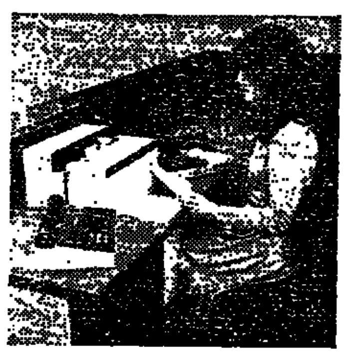
The Philips P320

The Philips P312

The Philips P410 OCS

The Philips P330

The Philips P410 SBC



The Philips PTS 6000

PHILIPS–THE MOST COMPLETE RANGE OF CUSTOMER SERVICES.

Philips' customer support system is recognised as setting standards for the entire industry. A major software investment programme provides a growing library of low-cost software options: a highly-trained team of Systems Installers takes charge of getting new installations running smoothly; Philips' Training School provides thorough courses for customers' staff in all aspects of business computing; and an Engineering Network, currently looking after some 2,700 installations throughout the country, provides a maintenance service which keeps your installation constantly on the top line.

If this is the kind of service you expect from a computer supplier, we invite you to contact us for an initial discussion. You'll find that Philips' people talk your language.

SEE THEM ON DATATRAIN!

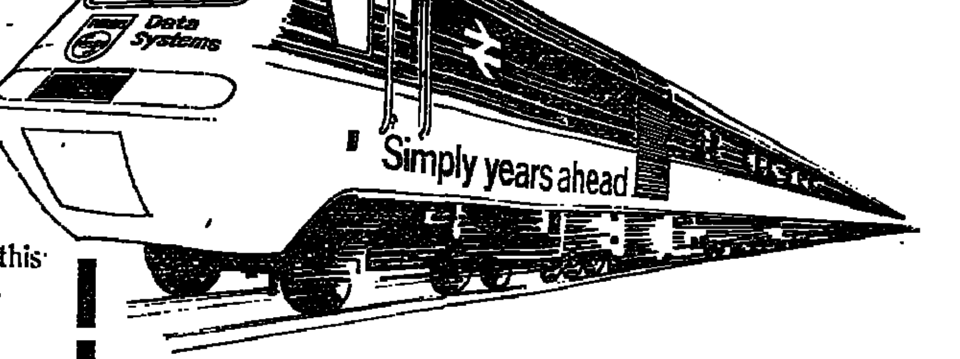
LOCATION	DATE	RESERVATIONS	LOCATION	DATE	RESERVATIONS
Southend	5th June	0206 5115	Manchester	14th June	061-798 9191
Hitchin	6th June	0206 5115	Birmingham	15th June	021-550 8171
Nottingham	7th June	021-550 8171	Bristol	16th June	0272 293561
Sheffield	8th June	061-798 9191	Southampton	19th June	0272 293561
Newcastle	9th June	0632 774168	Reading	20th June	0272 293561
Edinburgh	12th June	031-226 3714	Redhill	21st June	0206 5115
Glasgow	13th June	041-221 8116	London Marylebone	22nd/23rd June	01-836 4360

Plus a special two-day exhibition at Arundel Great Court, London WC2, on the 27th and 28th June. Ring 01-836 4360.

Philips Data Systems' specially-chartered train will be bringing a complete exhibition of the range to a location near you during June. If you are looking for a computer system from £7,000 to £70,000, you are invited to contact us for an invitation to this unique mobile demonstration.

Please send me details of your range ☐

Please contact me about Datatrain ☐



Name ________

Position ________

Company ________

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Lynne Hood
Philips Data Systems
Elektra House Bergholt Road
Colchester Essex
Tel: 0206 5115

PHILIPS computers that talk your language

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Building and Civil Engineering

£7m Middle East award

A CONTRACT for a new sewerage system in Abu Dhabi, principal city of the United Arab Emirates, has been awarded to Bovis International (Civil Engineering), at a value of £7m. Work includes laying 6 km of trunk sewer, 6 km of subsidiary sewer, construction of two pumping stations and positioning of 180 manholes. Due for completion in 18 months, the whole works are to be finished in an area which requires extensive de-watering before construction can begin.

Wimpey at home and abroad

A CONTRACT in excess of £5.4m has gone to the Witham, Essex Region, of George Wimpey from the Norwich Union Insurance Group for a mixed commercial and residential complex, called the Mall, Heathway, Dagenham. The commercial development, financed by Norwich Union, is on two levels and comprises a supermarket together with 31 shops fronting on to a covered mall above which are 2, 3, 4 and 7-storey dwellings. These, together with a car park on six split levels are being funded by the London Borough of Barking.

The Edinburgh office of George Wimpey has received a contract valued at about £2.3m. for 209 houses on the Bowhouse Site in Alloa, Clackmannanshire. The local authority in collaboration with the Scottish Development Department decreed demolition in 1976 and the area will emerge as a completely new development. The shells of the houses will be built in the company's No-Fines technique of construction, while three-shop units, with a two-apartment flat over them, will be built in brick.

A company jointly owned by the Sounding Co. of Tehran and Wimpey Laboratories. Wimpey Laboratories Iran SSK, has been awarded a £¾m. sub-contract for exploratory boreholes and instrumentation works on the Lar Dam and Tunnels Project, Iran. The main contractor is Kumagaigumi Co. of Japan.

Warehouse for Sunley

THE CONSTRUCTION of a 100,000 sq ft warehouse and office development at Silverdale Road, Hayes, Middlesex, for Ancroft Investments, a subsidiary of Bernard Sunley Investment Trust, is the subject of a £900,000 or more contract awarded to Bernard Sunley and Sons.

Work on the scheme will commence shortly. Comprising two main blocks divided into smaller self-contained units with offices on the first floor making a total of nine lettable units, the structure will be of pre-cast concrete columns, steel roof trusses with brickwork and protected metal cladding.

Laboratories to be built for Glaxo

DEMOLITION AND rebuilding of the interior of a building at Greenford, Middlesex, for Glaxo Laboratories, will cost £1.35m. under a contract awarded to Costain Construction.

Twelve new six-man laboratories and ancillary accommodation will be provided following the rebuilding of the ground and first floors in blockwork rendered both sides and covered with a satin vinyl finish. The work also includes the construction of a new plant room adjacent to the existing building, improvements and additions to the mechanical and electrical engineering installations and provision of air conditioning.

Jobs for Laing

CONTRACTS from ICI and T. Wall and Sons totalling £2.6m have been awarded to John Laing Construction.

The company's Cumbria region will build a £1.6m factory for the manufacture of ICI's Propafilm polypropylene film for the packing market, at Garroch Loaning, Drungans, Dumfries. This will comprise a seven storey reinforced concrete structure with vertical patent metal cladding and two single storey steel framed metal-clad structures.

At T. Wall and Sons' factory at the Friary, Acton, West London, production will continue while Laing demolishes the roof and builds a second storey of reinforced concrete frame clad in profiled aluminium sheeting, to be fitted out with specialist finishings. Work on the modernisation of the ice cream factory will start next month and is scheduled for completion by next summer.

£2m awards to B. B. Kirk

B. B. KIRK (CONSTRUCTIONS) of Skipton, a member of the Charles Hill of Bristol Group, has been awarded contracts totalling £2m., which include civil engineering work for the Severn Trent Water Authority, Lower Trent Division at Mattersey Thorpe Sewerage Works, and a new reservoir for Chester Waterworks Company at Guilden Sutton Lane, Chester.

Building works included in the contract comprise extensions to existing works for ICI Plastics Division at Darwen, Lancashire; 30 old peoples' flats and communal facilities provided by Craven District Council, Skipton, Yorkshire; new offices and car parking at Dewsbury, Yorkshire, for Wellman Mechanical Engineering, and a supermarket for the Co-operative Retail Services at Royston, Barnsley.

Clough Smith in Africa

AN AWARD for a comprehensive contract for electrical engineering works covering design, supply and installation of switchgear, transformers, cabling and 50 km of 275 kV transmission line, has gone to Clough Smith, of Crawley, Sussex, at a value of £4½m.

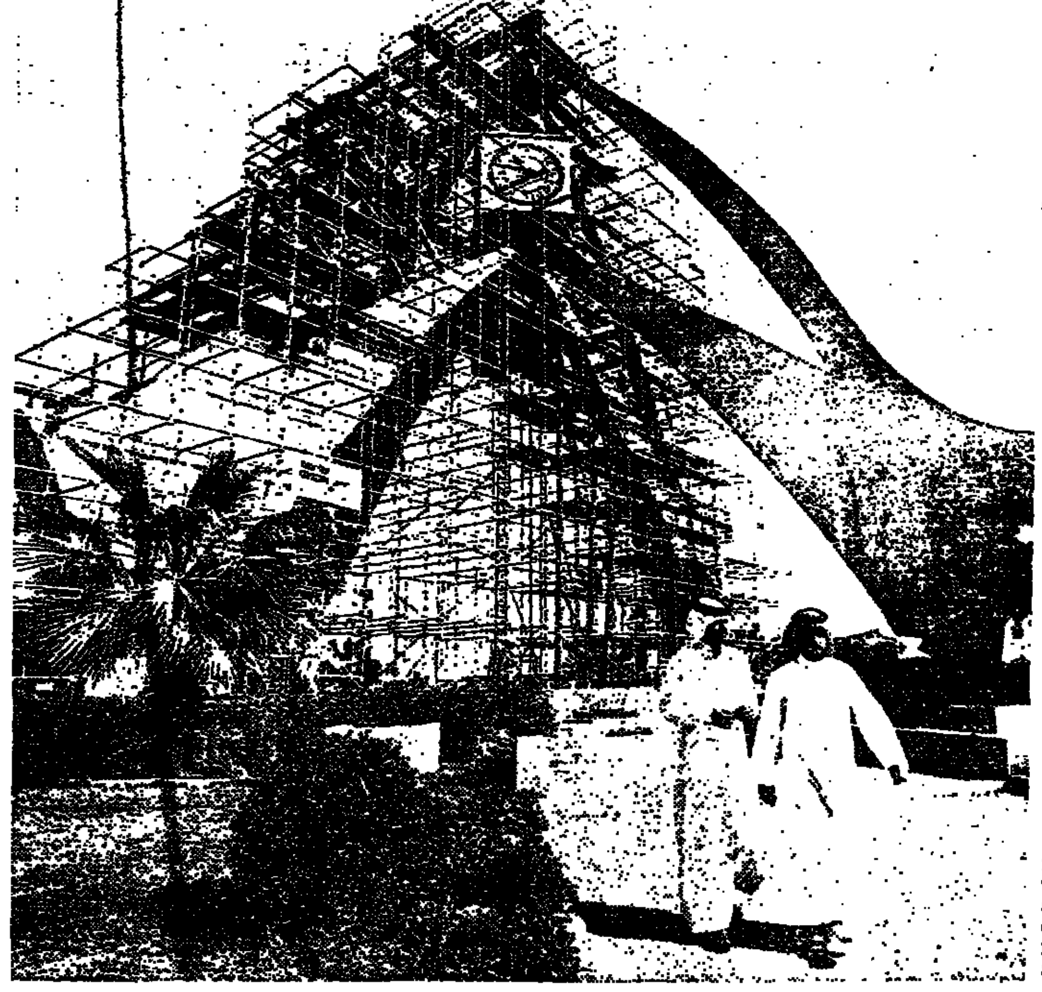
The company will participate in a £55m irrigation and hydro-electric scheme involving the construction of a dam, 2,200 metres long by 55 metres high, near Masinga, about 1,500 km north-east of Nairobi, Kenya. A 40 MW hydro-electric power station will be built on the site and the dam will create a 350bn-gallon reservoir 45 km long and 120 square km in area.

The 1,000 km long Tana is Kenya's largest river, whose basin supports 20 per cent of the country's population, provides a major portion of its agricultural potential, and the only substantial source of hydro-electric power generation.

£3m Holst cracker job

PEMBROKE Cracking Company reports that the main contractor for the construction of its new fluid catalytic cracking unit —Snamprogetti—has awarded to Norwest Holst Western of Cardiff sub-contracts in the region of £3m for offsite civil work.

These consist primarily of excavation, grading and construction of such items as embankments, roads, tank foundations, environmental screen walls and trenching for utilities supply.



This clock tower built in 1968 in Dubai has been suffering from the elements. Construction is of reinforced concrete and the wind blowing water from the fountain in the centre under the clock caused saturation of the concrete and rusting of the reinforcing steel. Australian contractor AST International has been carrying out the repair work with the aid of Kwikstage scaffolding supplied by Kwikform which is a Costain Group company.

Dam in Cyprus

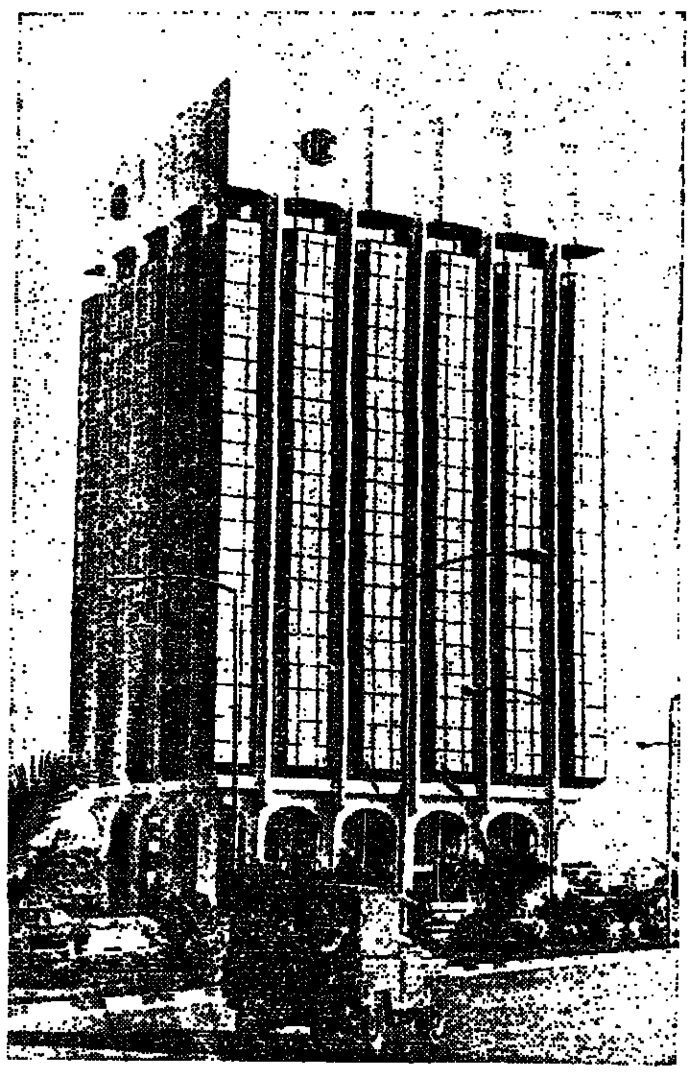
THE CONSTRUCTION contract for the Asprokremmos Dam, in Cyprus, is to be undertaken as a joint venture by two Cypriot contractors, Joannou and Paraskevaides (J & P), and Medcon. It was awarded by the Water Development Department of the Ministry of Agricultural and Natural Resources, in Cyprus.

The dam, designed by British consulting engineers, Sir M. MacDonald and Partners of Cambridge, will harness the water of the Xeropotamos river, providing water storage for the Paphos Irrigation Project, for which construction of the main canal and other works is already well advanced.

A zoned structure with an impervious central core, the dam will create a reservoir of 50m cubic metres capacity with a crest length of 620 metres and a maximum height of 52 metres above river bed level.

Busy in Malawi

W. AND C. FRENCH (Malawi), a member of the French Kier Group which has been operating continuously in Malawi since 1964, has been awarded a contract valued at £2.7m. for work in connection with the Blantyre water scheme. The company already has awards in Malawi for the construction of the Reserve Bank Building, costing £4m, a shop and office complex, nurses home and a tobacco factory.



Terry Kirk

The Bank of Credit & Commerce International in Abu Dhabi. Built by Bernard Sunley and Sons the 15-storey block is clad in glass. Another glass-clad building for the same bank is being built by Sunley in Dubai, on the Deira side of the Dubai creek. Architects for both buildings are Fitzroy Robinson and Partners.

Agriculture in Bahrain

PLANS FOR the agricultural development of Bahrain are to be drawn up on behalf of the Ministry of Commerce and Agriculture by Hunting Technical Services.

Value of the contract is £168,000 and it is being carried out concurrently with a detailed study of the soil and groundwater resources of the island which is being undertaken by Groundwater Development Consultants (International) at a cost of £1.2m.

Hunting Technical Services is a division of Hunting Surveys and Consultants. Groundwater Development Consultants (International) is jointly owned by Hunting Technical Services and Sir M. MacDonald and Partners.

Guideline for Saudi Arabia

EUROCANADIAN Market Research has produced a Construction Industry Directory based on its market research and consultancy efforts in Saudi Arabia.

Intended as an aid to companies interested in selling their products or services in the Saudi market, by providing details of potential customers, agents, joint venture partners, etc., the publication is available for U.S.$28.00 or equivalent (with order) inclusive of air mail postage from Eurocanadian at 801, York Mills Road, Suite 201, Don Mills, Toronto, Ontario M3B 1X7, Canada.

Bath to back

THE BATHROOM has gone outside in Leicester, where Banbury buildings demonstrated how its purpose designed modular unit, built from a pre-cast stem, was added to the rear of a house at the company's Home Improvement Centre in the heart of a depressed area of the city.

Fast and simple to erect, and built to blend with an existing house, the unit created a back-addition bathroom which, says the company, could be used in slum face-lift programmes with a saving of up to 25 per cent of the cost against traditional building methods.

The unit is available in two sizes: the 10 ft by 6 ft will accommodate a 5 ft bath, and the 9 ft x 7 ft one will take a 6 ft bath. Two units can be used together for use as 'back to back' bathrooms on neighbouring properties.

New lift standard

LATER this year a new British Standard is to be published covering the installation of lifts in buildings.

According to Mr. H. A. W. Pettinger, of the Otis Elevator Company in London, the standard will, for the lift purchaser, mean that quotations will come from any lift maker in Europe to the same specification. This should mean a higher degree of standardisation and resulting in lower overall costs and improved safety.

The new standard is BS 5655, and it will replace the old BS 2655. Although most of the changes are of a detailed nature, some involve different approaches: for example, lift safety gear will in future be the subject of type testing under conditions of free fall with full contract load.

More on 01-735 9131.

New floor at night

MANUFACTURERS OF food, drink, tobacco, pharmaceutical, dairy, meat and chemical products, may welcome the speed of PML epoxy floor screed which the maker, Protective Materials, says will harden enough for light traffic in about 12 hours.

Best adhesion to concrete sub-floors is obtained by laying the epoxy screed over a coating of still wet PLM screed primer, says the company, and where it will sustain heavy traffic, a 48-hour hardening period is advised.

More on 01-397 3344.

Fixes the tiles

A CERAMIC tile adhesive for fixing mosaics and tiles to vertical or horizontal surfaces, indoors and out, is said to be non-flammable, ready to use, and waterproof.

In off-white, thixotropic, the water-based paste from Unibond contains a fungicide to act against mould growth and is said not to cause "flash fires" when stored or used near naked lights and other heat sources. There is only a slight and harmless odour emitted, says the company, when the adhesive is drying. Available ready-mixed for instant application, the fixer can be applied also as a waterproof grout.

More on 0276 63135.

IN BRIEF

● M. Harrison and Co (Leeds) has received three contracts totalling £274,000: for an office block and warehouse to be built for Farnell Electronics at Leeds, warehouses and offices for Hanover St. George Estates at Rugby and the extension and rebuilding of fire-damaged premises of Doyle and Flockton, printers in Leeds.

● Northamptonshire County Council has awarded a contract worth £253,182 to Robert Marriott (French Kier Group) for alterations and extensions to the Prince William Upper School at Oundle, Northamptonshire.

● T. M. Simpson has contracts for plumbing and heating works on houses at Househillwood, value £626,847, and at Blochairn, at £194,741, both for Glasgow District Council. Anglo Gaelic Construction has received contracts valued at £388,000 and £369,720 for Anchor Housing Association and Durham County Council, respectively. Both companies are in the London and Northern Group.

● A £250,000 order for air handling equipment for the new General Infirmary at Leeds, Yorkshire, has been awarded to Matthews and Yates.

● Latest contracts for the Bowey Group include housing in Simpson Street, Cullercoats, Tyne and Wear (£567,000), rehabilitation of properties in the Lower Heaton area of Newcastle upon Tyne (£305,000) and modernisation of dwellings in Toft Crescent, Murton, for Easington District Council (£252,000).

● Fairclough Building, North East Division, is to build six units for nursery factories, suitable for firms with just a handful of employees or initially even one-man businesses, at a cost of £243,000 for Gateshead Metropolitan Council at Blaydon, Gateshead.

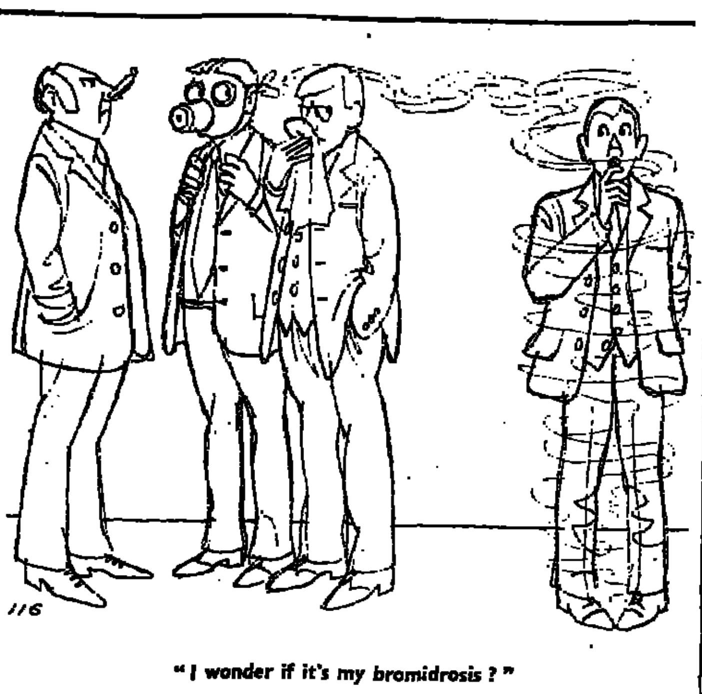
هكذامت الأجل

The Executive's and Office World

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

How Beet puts his noxious feet in it



"I wonder if it's my *bromidrosis*?"

IN OUR "enlightened" age, the most indelicate matters may be discussed openly and without a hint of propriety. But the problem of body odour is one that none save the callous dares to mention in the hearing of the innocent offender. A well-known firm used to employ a famous slogan: "Even your best friend will not tell you." That was a half-truth because I suspect that such unhappy folk have no friends in any category of the comparative adjective.

Usually the blameless offender is in no way dirty: indeed, he or she may pay an enormous attention to personal hygiene which, alas, will do very little to help and certainly does not cure the malady. I say malady because these people usually suffer from *hyperhydrosis*, i.e., they sweat far more than normal. Sweat is essential as a means of cooling the body. If, however, the controlling mechanism of the sweat-glands is overactive, it is not unusual for the closely associated grease-glands to be over-enthusiastic. Frequently this leads to a condition known as *bromidrosis*, a highly offensive odour caused by bacterial decomposition of sebum and dead skin.

If the victim is made aware of his problem, certain remedies can be employed. Mild tranquillisers which reduce over-activity may help; small doses of atropine-like drugs are sometimes of use; frequent dusting with benign powders is of some use as are deodorants, but the latter should be used with caution as they may lead to contact dermatitis in the hypersensitive. For the very bad sufferer, whose shirts or blouses may rot quickly, the last resort is surgery, whereby the sweat-glands are excised in the axillae and thus stopped for ever.

Unfortunately, the person suffering from this minor yet highly offensive disorder is usually the last to be aware of the reason for his or her unpopularity.

Years ago, when working in a hospital for the mentally defective, I had a peculiarly embarrassing encounter with such a case. A patient was brought to me in the hospital block by his charge nurse, a man called Beet. Suddenly, an overpowering odour assailed my very sensitive nose. I was annoyed and told Mr. Beet to take the boy away and clean him up.

Merriment

When both had gone, I noticed the head nurse and the hospital charge nurse killing themselves with poorly disguised merriment. I said that the incident did not amuse *me* in the slightest, whereupon the head nurse spluttered out that they were only laughing because the most noxious effluvia was nothing to do with the patient but arose entirely from Beet's feet. And they told how for ten years the unfortunate man had been unable to retain an assistant for more than one day. Naturally I saw poor Beet and was able to help him to a less unpopular future.

Now when such an unhappy and unaware sufferer is situated in a typical, over-heated and underventilated, modern office, grave problems arise. Because the subject is one of such delicacy, girls in particular may well resign rather than broach the matter with the offender or their joint boss; and an apparently inexplicably high turnover rate may occur.

I have frequently been asked how to solve such problems and have no easy answers. If the offender is a new recruit, I try to enlist the aid of a faithful veteran to broach the subject in a friendly manner, to mention in the course of conversation how *she*, when still a new junior, had also suffered, simply because of the overheated room, and to explain how she overcame this. Sometimes this method proves effective.

Men are even less aware of their personal problems, and the more senior they are the greater the difficulty; for high rank is no protection against being high. One method I have employed with success has involved deception. Talking to the entire office staff I say that I wish to find out if the use of small amounts of an aerosol, called Ozium, does (as the purveyors claim) truly reduce the incidence of airborne infections. Whether or not this can be substantiated, I do know that a few puffs of this penetrating and powerful chemical three times daily certainly masters the prime problem perfectly.

BUSINESS COURSES

Energy 2000. The Mount Royal Hotel, London. June 20. Fee: £59. Details from Head of Conference Registration, British Institute of Management Foundation, Management House, Parker Street, London WC2.

Financial Management for the Non-Financial Executive. The The City University, London. July 10-21. Fee: £486. Details from the Financial Times, Conference Organisation, Bracken House, 10 Cannon Street, London EC4.

Your Company, Marketing and EEC Law, Gloucester Hotel, London. June 8-9. Fee: £120. Details from the Conference Manager, Benn Business Promotions, Press House, 25 High Street, Edenbridge, Kent.

Management of Innovation and New Product Development, Metropole Hotel, Birmingham. June 12-14. Fee: £230. Details from the Administrator Post-Experience Courses, Manchester Business School, Booth Street West Manchester.

Putting Manpower Planning into Practice, Brunel University, Middlesex. June 20-21. Fee: £115. Details from the Management Programme Secretary, Brunel University, Uxbridge, Middlesex.

The Secretary's Role in Management, White Hall Hotel, London. June 21-23. Fee: £95 plus VAT. Details from PMG Executive Training and Development, 207 Victoria Street, London SW1.

Michael Dixon on an unusual annual dialogue between students and some of the world's top businessmen which began after the May 1968 riots

Managers' counterblast at the academic Left

"WHAT I want to know is whether capitalism can ensure three things," demanded a questioner from the 700-strong audience.

"Can it serve the needs of the poorest instead of the wants of the rich? Can it prevent the waste of scarce resources? And can it provide a technology for the elimination of poverty?"

To any veteran of university conferences mixing business people with students and academics, the response of businessmen to that kind of earnest challenge is all to familiar: a thousand or more words of abashed and sentimental chat about industry and commerce fully realising their social responsibilities.

A definite exception was provided by this month's St. Gallen international management symposium — capitalism's annual counterblast at the academic Left—held at the Swiss town's remorselessly modern university.

Challenge

"No, a free enterprise system cannot ensure such things," came the answer from the business side. "But we don't feel guilty about it, because on the practical evidence available neither can socialist or any other existing kinds of system.

"What is more, if a society agrees to concentrate on those objectives and takes a political decision to do so, then a free enterprise system is better equipped to achieve them than any other existing."

With the burden of argument thus thrown back upon him, the challenger stayed silent. But it was not only in the question-and-answer sessions that the speakers—eminent industrialists and academics from most Western economies including the U.S.—maintained this blunt insistence on upholding capitalism against the observed practicalities of competing forms of economic-and-political organisation, whatever their theoretical possibilities.

Take for example Professor Fred Ikle, holder until last year of the U.S President's appointment as director of the Arms Control and Disarmament Agency. He went so far as to declare free enterprise a necessary condition of beneficial technological innovation. Planned economies and their associated bureaucracies inhibited individual creativity, he added. Why else was Russia, well endowed with natural resources and bursting with engineers, self-admittedly behind the West in technological discovery, if not in the development of ideas generated elsewhere?

He then went farther to warn capitalist countries against overgenerously transferring their technological properties to the poorer nations of the third world. Professor Ikle seemed scarcely to credit the effrontery of the third world countries in bullyragging the United Nations into adopting a draft code of conduct which imposed on free enterprise states a duty to transfer technology "on favourable terms" to less advanced lands. Natural resources such as petroleum might be "part of the universal human heritage," he said. But technological innovations certainly were not.

They were the creation of people working in a particular economic and social order—the bourgeois order "vilified" by the Marxist regimes which were now demanding the free transfer of technology as if it were their Divine right.

"Now don't get me wrong," he added. "Of course we should render humanitarian assistance where we can." But before passing on innovations, capitalist organisations and their governments should pay painstaking regard to the implications for their long-term profits and political security, and insist on a tit-for-tat. "Particularly for advanced technology, we must demand a package deal," Professor Ikle added, which to his mind should require guarantees on human rights in the receiving countries as well as economic returns.

The conference papers given by industrialists such as Herr Franz Luterbacher, chairman of Brown Boveri, and M. Roger Martin of Saint-Gobain, were perhaps understandably less controversial in tone. But I did not hear a single speaker who admitted the slightest doubt that capitalism was not only "the greatest," but also potentially the most compassionate system to live under.

Agreement

"Here everyone is in agreement," commented one of the students who constituted half the annual audience, between lunchtime bites of a monstrous veal sausage. "It is, as you might say, a propaganda conference."

He could not have been more right. The idea of the annual St. Gallen symposium started as a reaction to the Left-wing student movement which erupted in Paris ten years ago this month. The idea first became reality in 1970 with about 150 each of students and business delegates.

Now more than twice the size, the conference is still organised by the university's international student committee. But the committee receives powerful financial support and encouragement from the foundation set up by Dr. Max Schmidheiny, head of the Swiss Holderbank cement group, and from numerous commercial interests. But at least the names of the self-interested private-enterprise sponsors are there for all to see in the symposium's programmes—which, in my experience, is not always the case with student conferences advocating socialist causes.

Whether this annual three-day preaching of free-enterprise achievement reaches significantly beyond an already converted audience, I am not sure. All the students I met there favoured capitalism as a fact, no doubt because they were looking forward to careers in business.

But most had clearly thought little about capitalism as an idea, justifiable by philosophical arguments which to my mind are more cogent than those for for socialism. And if free-enterprise is to spring back from its long intellectual battering in educational institutions, then it is surely as an intellectual idea that capitalism needs promoting.

"The constraint, you see, is this," said one of the more philosophical students, cocking his head towards the platform where yet another industrial eminence was reciting statistics. "Sometimes some of the academic speakers tell us something new. But these industrialists just read their texts, and almost everything they say, we have read already in our newspapers. However, it is because they will meet important employers, that most of the students come here. It is a choice between having industrial speakers who inspire no one, and having inspiring speakers who would have no one to inspire—a contradiction of capitalism, perhaps?"

Spontaneous

Nevertheless, there were moments when a spontaneous student murmuring showed that a thought from the platform had struck fertile ground. The most noticeable occasion came when Dr. Bodan Hawrylyshyn, of the CEI management school in Geneva, was summing up as chairman of the symposium's second day. It was simply not true, he said, that nations had to choose between totalitarian systems of the Marxist kind and the individualistic forms of capitalism of the West.

"There is a third way. Look at the economic success now of Japan, South Korea, Taiwan, Singapore. They have free-enterprise, not totalitarian economies. But their capitalism does not so much insist on asserting the freedoms of people as individuals. They believe in self-subordination to some larger society which contributes to the general good.

"Is that perhaps the winning combination for the future?" he added. "And if so, is Western capitalism flexible enough to adopt it?"

LOMBARD

The facts about car imports

BY GEOFFREY OWEN

ONE OF the few British industries which provides prompt and regular information about production and sales performance is the motor industry. Shortly after the end of each month suppliers, dealers, journalists and anyone else with an interest in the business have access to detailed statistics of sales by company and by model. Although some other European countries are more secretive, there is nothing unique to the UK about this: the U.S. has an even more comprehensive supply of data. The British system has been operating for several years, apparently to most people's satisfaction. But there are rumblings within the industry which could lead to a reduction in the amount of information made available.

Post-mortem

One line of argument is that the figures are published too often. Is it really necessary, some people ask, for a public post-mortem to take place after each month's performance? Ups and downs in an individual company's market share may be due to special circumstances—a shortage of stock, a major sales promotion drive or whatever—and the month-to-month changes are given an importance they do not deserve: why not publish the figures on a quarterly basis, giving a fairer representation of what is happening in the market?

There are several objections to this. One is that the monthly figures will still be circulating among the manufacturers. It is inevitable that those companies which have done particularly well will allow their figures to be made public. The result will be a series of leaks and counter-leaks which will be unsatisfactory for all concerned. If the figures for a particular month are distorted, it is up to the manufacturers or the Society of Motor Manufacturers and Traders (which issues them) to explain what happened—just as the Government's statisticians try to explain oddities in the monthly trade figures.

Although the figures are said to be costly to collect and process, it would be a retrograde step for an industry which decided a few years ago to be more open with the public to retreat into secrecy. But there is another reason for dissatisfaction among the manufacturers. This concerns the vexed question of "captive" imports, that is, those vehicles which are imported from the overseas associates of UK-based companies. Ford, General Motors and to a lesser extent Chrysler have all been bringing in cars from their Continental factories on an increasing scale: in the first four months of this year, for example, nearly a third of Ford's car sales in the UK were imported.

There is a problem however, in defining what constitutes an imported car. Government statistics are based on the principle that if a car contains more than 50 per cent, by value, of foreign-built components, it counts as an imported car, even if it is assembled in the U.K. In the SMMT figures, the location of assembly determines whether it is "imported" or not. Thus any Minis and Allegros assembled by Leyland in Belgium and shipped back to the UK count as imported cars, even though the components are virtually all British-made. A car assembled in the UK by Ford or Vauxhall from largely imported parts counts as a British car.

There is a view that the interchange of components by the U.S.-owned companies has reached a point where it no longer makes sense to distinguish between "British" or imported cars: engines might be manufactured in Dagenham, exported to Spain for use in the locally-built Fiesta, then shipped back to the UK as a complete car. What matters is these companies' overall contribution to the UK balance of payments, which is very substantially positive. So, it is suggested, the cars sold by Ford or General Motors in the UK should simply be regarded as Ford or General Motors cars and their country of origin should not be specified.

Legitimate

It would be regrettable if this argument were accepted. Captive imports by the American companies have been a significan factor in pushing import penetration in the UK to not far short of 50 per cent. Equally, the European activities of the American companies, as well as the weakness of Leyland, are part of the reason why the UK share of Continental car markets is so low.

The American companies are very large contributors to the UK balance of payments and they deserve all credit for that. But there is a legitimate interest in where they source their components and their complete vehicles. It is impossible to understand the UK's import-export performance without knowing what the multinationals are doing. Using location of assembly as the criterion is not ideal and perhaps it might be preferable to revert to the 50 per cent. definition. But some definition is essential; any attempt to suppress or blur the figures should be firmly resisted.

THE WEEK IN THE COURTS

Making a breach in confidentiality

BY JUSTINIAN

CONFIDENTIALITY of information supplied to a professional adviser does not create a privilege against disclosure of that information in proceedings before the courts. That principle was decisively restated by the House of Lords last week in an appeal from the Northern Irish courts.*

In so doing their Lordships reversed a series of cases in the English Court of Appeal over the last few years that gave some protection to hospitals in the disclosure of the case notes of their patients.†

The specific problem arose out of a change in the law in 1970. As a result of a committee report on Personal Injury Litigation Parliament introduced a wholly new procedure. Even before an action is started the prospective plaintiff can ask the prospective defendant to produce any documents he has which are relevant to the case. The court may order the defendant to hand them to his opponent for the purpose of pursuing his litigation.

Power

The same Act provided that a court could order a person who was not a party to litigation to disclose relevant documents.

The practice followed in English Courts since the 1970 Act has been to make orders confining the production of hospital records—at any rate in the first instance—to the medical advisers of the litigant, but not to the layman or his legal representatives. In none of the cases was it ever raised whether the courts had any power to restrict the ambit of disclosure.

Instead, the courts had proceeded on the basis that confidential documents should be protected against any disclosure wider than was absolutely essential to the determination of issues arising out of the claim. Now all that sensitivity towards the protection of hospital records has been swept away.

A Mr. McIvor started an action against a Mr. Reid in the courts in Belfast for damages for personal injury sustained in a car accident in September, 1975. One of the medical issues was whether Mr. McIvor's total incapacity for work since the accident (and in future) was caused by the injuries sustained in the accident or by a pre-existing cardiac or vascular condition.

It was not disputed that hospital notes, X-rays and reports relating to the treatment of Mr McIvor prior to the accident were in the custody of the Southern Health and Social Services Board, and were highly relevant to the litigation. Since the hospital authorities were not a party to any proceedings, Mr. Reid applied for an order that the documents should be disclosed to him or his legal representatives.

When the judge made the order for production to Mr. Reid's solicitors the hospital authorities appealed, asking that production should be limited to "medical advisers nominated by the defendant and the plaintiff respectively."

The Court of Appeal in Northern Ireland held that the courts had no power to order production of documents other than to the party to the litigation or his legal representatives. It thought that the words used by Parliament were too plain to permit the courts to import any restriction on the grounds of confidentiality.

Difficult

The hospital authorities argued that the consequences of breaching the confidentiality were so dire that Parliament must have intended to confer a power on the courts to protect professional records. What are those arguments that the House of Lords dealt with so dismissively?

First, medical notes and records are difficult for laymen to interpret. That kind of protection for jargonism did not readily appeal, even to a profession which also tends to indulge in obscure language.

Then it was said that the doctor's fears about the patient's future health might, if disclosed to the patient, cause him deep distress and even retard his recovery. That is the traditional plea of the medical profession which carries less and less weight with a public which increasingly demands to know from its medical advisers what is wrong.

The most compelling argument, advanced by all professions, is that their reports are of a confidential nature and if revealed might discourage frankness.

Prospects

The last argument might have carried weight if the disclosure which the court ordered was to the world at large. But disclosure of documents in litigation is restricted for use in that litigation. The recipient of the documents may not put them to any purpose other than the litigation in hand.

The administration of justice must not be inhibited by a rule of confidentiality unless there might indeed be dire consequences. Disclosure for the purposes of litigation is to assist not merely the advisers of the same profession as the makers of the reports disclosed, they are needed by the legal representatives who, assisted by the medical advisers, must advise as to the prospects of success in the litigation.

The Northern Ireland case must be counted as a significant inroad on the claims of those who seek to keep their records confined to their professional colleagues.

The courts, goaded on by Parliament, are less sensitive to claims of specialism. Only if an overriding public policy exists will they countenance any kind of privilege to confidentiality. They may respect the professional code; they will not give it legal blessing.

*McIvor v. The Southern Health and Social Services Board. †Dunning v. United Liverpool Hospital [1973] IWLR 586; Davidson v. Lloyd Aircraft Services Ltd. [1974] IWLR 1042; and Deistung v. South West Metropolitan Regional Hospital Board [1975] IWLR 213.

Youth shun service jobs

YOUTH shun working in service industries because they see the jobs as low paid and demeaning, Mr. John Grant, the Under-Secretary for Employment, said in London at the weekend.

Speaking at a conference on youth employment, he said: "We must aim to increase the number of young people at work in the expanding services sector. Despite the current high level of unemployment, many young people still shun jobs of this kind."

Service industries such as the hotel and catering industry often conveyed the wrong image, lacked social prestige, and failed to match the expectations of school and college leavers, he said. In many cases pay and conditions were unattractive, training was inadequate, and there was no proper career structure.

The conference was sponsored jointly by the British Youth Council and the United States Information Service.

SOCCER BY TREVOR BAILEY

Scots passion can prove a two-edged weapon

IT HAS BEEN a bad eight days for Scotland. After mediocre displays against Northern Ireland and Wales, which produced two draws and only two goals, they were beaten by their old enemy England in the most significant of the home internationals. Although this defeat by a late goal, following a mistake by goalkeeper Rough was undeserved, as they had outplayed England for most of the match, it must be admitted that neither team suggested world champions.

Despite this unimpressive third place in the final table, it would be unwise to write off Scotland's chances in the World Cup in Argentina. They possess several qualities which should carry them through the zonal section of the competition, but I would be surprised, though delighted, if they finish higher than losing semi-finalists, and they will need to play considerably better than they have done recently to go that far.

Their manager, Mr. Ally Macleod, has used the home internationals to work out his most effective combinations. His final selection will be a formidable team, even if both collectively and individually there are several countries, including Brazil, Italy and West Germany with greater flair.

Scotland have experience, a belief in themselves and four world-class players, two defenders and two forwards, which is perhaps one short of the number normally found in the eleven winning the World Cup.

McQueen is not only a commanding central defender but has priceless ability of scoring goals from set pieces, and Jardine, too, is an excellent defender. In many ways the most satisfactory feature of Saturday's encounter for Scotland's manager was the understanding shown by his two centre-backs and the crisp, confident performance by Kennedy at right-back.

The two outstanding attackers are the brilliant natural winger Willie Johnston, and the mercurial centre-forward Dalglish. The former is in the classic mould, fast, clever and arrogant, with two good feet and prepared to take on anyone. The latter, already the holder of more than 50 caps and destined for many more is a rarity, a genuine footballing artist with the great talent of being able to wriggle clear of a defender from a standing start in a crowded penalty area.

Although one banner claimed that "Kenny's from Heaven" and another that he strikes quicker than British Leyland, he is not an especially deadly finisher. He scores goals by being in the right place, or by creating an opportunity with a dexterity close to genius, but he does not put the ball away with the certainty of Jimmy Greaves.

A marvellous medicine, a wonderful stimulant . . . but it could lead to danger

Scotland have to decide who will play alongside Dalglish up front—the brave, strong-in-the-air Jordan, or Derek Johnstone, who, though not so mobile, has found the back of the net more frequently this season.

The biggest problem is the composition of the midfield trio. I fancy the first formation will consist of the busy Gemmill, the aggressive Hartford, and Souness, who has improved so much since moving to Liverpool. Nevertheless, this formation means that they will be without Masson, who hits the best long-ball passes and Rioch, whose power of shot has decided many matches.

Although the prime reason Scotland should do well in the World Cup is ability, there are three other important factors—decidedly friendly draw, their volatile manager, who bubbles with infectious enthusiasm, and finally, most vital of all, Scottish passion.

Providing Scotland beat Peru, which, although one of the weakest of the South American sides will be harder than is generally realised, they can hardly avoid reaching the last eight, or only three matches from the World Cup final by going forward with Holland. Iran are the fourth team in the group.

The Scots have the same type of passion for Soccer as the Welsh have for Rugby. It is more than a game, almost a religion, and can be seen in many ways. When a player puts on the blue shirt he will, like the Welshman who has donned the red jersey, grow in stature and pull out that little extra to the delight of his supporters and the consternation of the opposition.

This passion is also to be seen and heard in their followers. The Hampden crowd not only cheer loudly and incessantly throughout, but are still roaring at the end; whereas at Wembley, with England losing 1—0, a considerable portion of the spectators would already be on their way home.

This fervour enables Scotland to lift their game and defeat a more talented team or to come back from behind when all seemed lost. It is marvellous medicine, a wonderful stimulant; but there is a danger. It could also lead to loss of control by the players, several of whom are far from passive characters. This could prove fatal in South America, where the referees will be hard on offenders.

Jordan's ultra-physical style is unlikely to be popular and may well not be tolerated. Willie Johnston, Hartford and Rioch are all too likely to retaliate when provoked and one wonders whether Brian Clough's calming influence on Burns will stretch to the other side of the world.

Scotland will need all their passion, but if they lose control they will lose everything. This is the message Ally Macleod must put across to his side.

TENNIS BY JOHN BARRETT

Why the world's top misses are giving Rome a miss

TODAY, in the marbled splendour of the Foro Italico in Rome begins the sixth week of the European leg of the season-long Grand Prix competition—the points-linked circuit that embraces 90 tennis tournaments in 27 countries and has an $11m pot of gold to be distributed among the men.

Despite last week's two tournaments—the $175,000 German championships in Hamburg and the $50,000 Florence Open, these Italian championships (also among the 32 tournaments in the $175,000-category) are regarded by the players as the first of the major European meetings, and there is a men's field worthy of the occasion.

Nine of the world's top 12 men are competing, with only the ailing Jimmy Connors (who never risks his reputation on European clay anyway), the enigmatic Guillermo Vilas (his coach Ion Tiriac is saving him for the defence of his French crown next week) and Sandy Mayer, the confirmed Team Tennis supporter, missing.

Bjorn Borg of Sweden makes a welcome return to competition following two recent injuries, a poisoned toe which necessitated withdrawal from the WCT tournament in Rotterdam in the first week of April and a blistered thumb which put him out of the WCT finals in Dallas two weeks ago. With a third consecutive Wimbledon title as his target Borg's build-up over the next three weeks in Rome and Paris is vitally important.

The holder, Vitas Gerulaitis, returns from Team Tennis duty—with permission this time (he was fined heavily last year by the Indiana Loves)—and faces the 1976 winner and local hero Adriano Panatta in the first round.

The fact that this dream match is scheduled for tomorrow to allow the American time to overcome jet-lag indicates a growing acceptance of the status of the Grand Prix among Italian officials. A year or so ago they would never have missed such a chance to advance a national cause. Come to think of it, in those days Panatta would never have faced such a draw; his path would have been cleared to the quarter-finals at least.

The only British man competing is John Lloyd, who is seeded No. 15, and plays a qualifier before taking on either last year's surprise finalist Tonino Zugarelli, the Italian No. 4, or Kjell Johansson (Sweden). Further ahead lies the No. 5 seed, Mexico's Raul Ramirez.

In stark contrast to a powerful men's field the women's draw is pitifully weak, due entirely to the attractions of Team Tennis. During its four-year existence the U.S. inter-city league, which runs from May to August with a gap in June for Wimbledon, has consistently attracted the best women players, so that the women's tournament schedule has been built around it and fills the first four and last four months of the year.

Bandwagon

Only three lower representatives of the world's top 20 women players are in Rome—the No. 15, Mima Jausovec of Yugoslavia, who won there in 1976, the No. 17, Virginia Ruzici (Romania), and the Czech Regina Marsikova, No. 19.

Were it not for the fact that the three national associations of these players still wield considerable authority all three would surely have joined the lucrative Team Tennis bandwagon long ago. The prize money for women in Rome, $32,000 in all, correctly recognises the difference in standard against the men.

For the reasons stated the European women's season has virtually disappeared. Only the Colgate tournament at Eastbourne immediately before Wimbledon and the championships themselves can nowadays expect a full-strength entry.

This, of course, is all part of the growing importance of the United States in the scheme of things. When Open tennis was introduced ten years ago we all saw the dollar as a potential threat to the health of European tennis—and for that matter of the rest of the world.

Despite some strong outposts, particularly in Japan and Australia, the trend is unmistakable. Of the 90 Grand Prix tournaments in 1978 no fewer than 35 will be in the States. The situation for the women is even more alarming. Exactly half of the tournaments in the $5m International Series will be in America—16 of the 32.

The important thing for the future of Europe is to make a success of what already exists, and certainly the evidence in Rome suggests that there is no lack of enthusiasm. Despite the competition from the Munich tournament this week there were 80 men and 70 women in the pre-qualifying for Rome, so that a player who eventually emerged in the draw proper had already won five matches. It was encouraging to see so much activity.

Even more encouraging was the eagerness of the world's leading juniors who were contesting the third leg of the Pepsi-Cola Junior International Series. The story of an American boy graphically illustrates what the modern game is all about.

Blaine Willenborg, an 18-year-old from Florida who is ranked no higher than 11th at home in the under-18 list, was beaten in the third round of the boys singles by Gabriel Urpi of Spain.

Undeterred, he was meanwhile progressing through the pre-qualifying and in the third round won convincingly against the experienced Japanese Jun Kamiwazumi. This put him into the qualifying proper, where he beat the ex-Davis Cup man from Yugoslavia, Nikki Spear 6—3, 6—1. For a place in the main draw he then had to play the outstanding French boy Yannick Noah, who, although qualified for a junior event, has opted for the main one instead.

So long as these stairways to the richer uplands of the game can be protected, then the future of Europe is safe.

RACING BY DOMINIC WIGAN

2,000 Guineas form knocked

THIS YEAR'S 2000 Guineas form took another knock at Newbury on Saturday when those much vaunted three-year-olds, Camden Town and Formidable, never looked like threatening the moral winner, Jellaby, in the Lockinge Stakes. It now seems more than probable that the classic will prove a particularly sub-standard one.

The one and a-half length runner-up in the 2000 Guineas, Remainder Man, could never go the pace at York last week when a well-beaten fourth behind Shirley Heights in the Mecca Dante Stakes; and the only other from the first half-dozen home over the Rowley Mile, Persian Bold, was also well beaten in that same York race.

Derby betting reflects the distrust in that 2000 Guineas form, with only the winner, Roland Gardens, and Admiral's Launch featuring among those quoted at under 20-1. I shall be more than surprised if the first-named, a colt by the specialist miler, Derring-Do, out of the Skymaster sprinter, Katrinia, succeeds in getting the one and a-half miles Derby trip; but there are still grounds for expecting a prominent display from Admiral's Launch, who will have no stamina problems.

Admiral's Launch is a bay colt by Brigadier Gerard, whose victories included the King George VI and Queen Elizabeth Diamond Stakes over the full Derby distance at Ascot, and is out of Cutter, who has imparted a good deal of stamina to her offspring, who include Torpid and Sloop.

No satisfactory explanation has yet been given for the disappointing showing of Admiral's Launch in the 2000 Guineas; but his previous running when landing the Craven Stakes on the same course suggests that he should be given another chance to prove that he simply had an "off day" on May 6.

Those prepared to reaffirm their faith in Admiral's Launch might well do worse than take an each-way interest in him now at 16—1, for it seems probable that stable jockey, Willie Carson, will opt for the Brigadier Gerard colt in preference to stablemate Duke of Normandy, who will be representing the Queen.

This afternoon's racing at Wolverhampton makes little appeal from a betting point of view, although I would not care to oppose the lightly raced Acolyte in the Oldbury Maiden Stakes, for which there is a maximum number of runners with 24 going to post.

Acolyte, a well made bay filly by Roan Rocket out of Acclio, did well when a close third of 15 to Checkerberry at Newmarket in April and any improvement on that running will see her proving difficult to contain.

WOLVERHAMPTON

2.15—Handsome Kid
2.45—Bracken Lad
3.15—Courageous King**
3.45—Acolyte***
[illegible]
[illegible] Lad

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 a.m. Open University. 9.38 For Schools, Colleges. 10.45 You and Me. 11.22 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.15 Your Songs of Praise Choice. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 The Oddball Couple. 4.40 Cheggers Plays Pop. 5.05 Blue Peter. 5.35 Roobarb.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide in Europe "live" from Brussels.
6.55 The Harlem Globetrotters.
7.20 Angels.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "You'll Like My Mother," starring Patty Duke.
10.55 Tonight.
11.35 Weather Regional News.

All regions as BBC 1 except at the following times:

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.55-7.20 Heddiw. 9.25 The Harlem Globetrotters. 9.50-10.55 Y Tasmaniad Ola'. 11.35 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 6.55-7.20 Assembly 78 (highlights of today's debate). 10.55 Public Account. 11.30 The Harlem Globetrotters. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40 a.m. Open University.
11.00 Play School.
4.55 p.m. Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 Taking Shape.
7.30 Newsday.
8.10 Curriculee Curricula.
9.00 Marti Caine.
9.50 Tales of India.
10.20 Sea Tales.
11.00 Late News on 2.
11.10 Open Door.
11.40 Closedown: Mervyn Levy, art critic talks about one of his favourite paintings.

LONDON

9.30 a.m. Schools Programmes. 12.00 Jamie and the Magic Torch. 12.10 p.m. Rainbow. 12.30 Drive-In. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. †2.25 Monday Matinee: "To Be or Not To Be," starring Jack Benny, Carole Lombard. 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Batman.

5.45 News.
6.00 Thames at 6.
6.40 Help!
6.45 Whodunnit?
7.30 Coronation Street.
8.00 World in Action Special.
9.00 The Look.
10.00 News.
10.30 The Pye Colour Television Awards.
11.15 The Big Film: "The Gun."
12.35 a.m. Close: Joan Scott reads a poem by Elizabeth Jennings.

All IBA regions as London except at the following times:

ANGLIA

12.30 p.m. Out of Town. 2.25 Anglia [illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

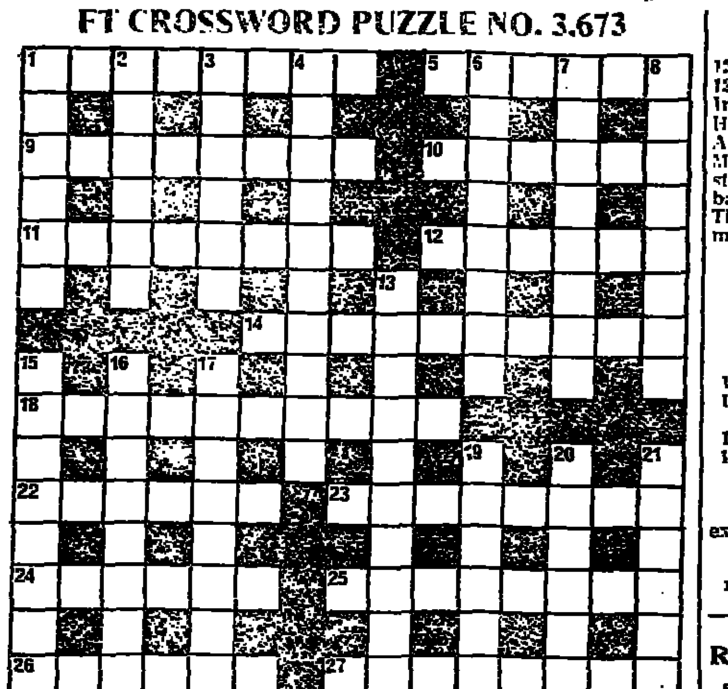
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

FT CROSSWORD PUZZLE NO. 3,673



ACROSS

1 The reaction has Black upset (8)
5 A good man gets at us in this condition (6)
9 Words of approval for merchandise—in what way? (4,4)
10 Don't despair—Teddy's out of bed (4,2)
11 An untruth includes hypocrisy in Spain (8)
12 Hospital returns have nothing for the geographer (6)
14 Justifiable argument makes pa not livid (5,5)
18 Remaining in the Civil Service a short time means an awkward situation (5,5)
22 Fish with the doctor inside the Arctic plains (6)
23 Rude in the Channel (8)
24 Is about to distribute perfect concepts (6)
25 Consider how to intervene about Turkish capital (8)
26 Siphoned ostentation (6)
27 Noisy saint has to have a change of heart (8)

DOWN

1 He has no choice, the poor fellow (6)
2 One feature about the work of a composer (6)
3 Clara's upset by the sailor (6)
4 Sporting wear for the asthmatic (5,5)
6 Highest positions for foresters (8)
7 A slow mover we put quietly in the ground (8)
8 Keeps up in the middle of games (8)
13 Record on canvas the lack of satisfaction (10)
15 Tax restrictions for dogs (8)
16 Get near to source and be kindly disposed (4,4)
17 Frightens the French from the beginning (8)
19 This evening to an American can be explosive (6)
20 The running of a house makes people grow old (6)
21 A road in a Somerset town (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Art for the people

by WILLIAM PACKER

If wishes were horses, beggars would ride. It takes rather more than the bare assertion to make the artist: he is what he does, and to believe otherwise is simple-minded. Declared intention, no matter how worthy, does not always bespeak actual achievement. Two recent exhibitions, however, pose the familiar questions yet again. Is every product of the *soi-disant* artist really Art? Is an essay on the social iniquities of the asbestos industry, for example, that well might make an effective if somewhat tendentious polemical pamphlet, transmogrified into Art by the simple expedient of being pinned to the wall? Is propaganda transformed in any way, does it ever become more than propaganda for being called Art? And is the work any the better for being done with the heart so patiently in the right, which is to say the left, place? Here we may be more specific: is an inept drawing by Terry Atkinson, of a soldier on the Western Front, redeemed by its ingenuous unhistorical, unimpeachably radical sentimentality?

Richard Cork's recent compilation at the Serpentine, "Art for Whom?" was steeped to the gills in serious purpose, a dense and wordy effort to show that the real artist is at the side of the worker in the social struggle, an active agent in his affairs, prepared to forego the pleasures of painting, drawing and making things, which anyway might tempt the unthinking into the sin of possession, except when they serve the interests of the Cause.

The PBI, for whom we must presume this edification was intended, had evidently voted with its feet: I had Conrad Atkinson's (no relation) asbestos tract very much to myself for the not inconsiderable time I took to read it, and also Stephen Willats' quite neat and elegant sociological diagrams, more ambiguous and better written than the usual run of these things, and the better for that, but again a heavy read and essentially unvisual. Primary school and environmental mural projects were well documented, telling us what we suspected, that some art teachers do their job well, and the children's art is bright and cheerful. Posters and a video tape carried the message against closing any of London's hospitals.

That show is over, but now "Art for Society" at the Whitechapel (until June 18) takes up the torch. It is larger and much more of a mixture, containing not only more tracts and polemicals, but also many paintings and sculptures presented without gloss, to be taken or left as they are. Most are genre pieces, obviously included because their subject-matter accords with the social and political preferences of the organisers: an old miner in a canteen, for example, and a brass band on the march, both by Paul Waplington, and the mining scenes of Oliver Kilbourne, who share the advantage of impeccable working-class credentials, but who also draw and paint rather well. There is no reason at all why this left-wing sketch club should not have a show from time to time, and of course the work will reflect the interests of the members, long on works canteens, rather shorter on cocktail parties. And there can be no objection to it, in a free society, even though the work is chosen, not on merit, but rather for the correct thinking it displays.

Attitudes, however, do not guarantee the art; and here it would seem that the more urgent the polemic, the poorer the art. A trite sequence of sub-Heartfield collages by Chris Jennings, based upon the last Tory manifesto, is stupifyingly witless an attempt at satire, an insult to Heartfield. Conrad Atkinson really does believe that the IRA is more sinned against than sinning, and there is no reason to doubt his sincerity; but the daub proclaiming his belief can only be excused if you too believe that moral fervour, no matter how misbegotten or obtuse, is alone the criterion of excellence.

The show is never less than interesting, and does include many excellent things: Ghisha Koenig's small industrial tableaux, and Jimmy Boyle's heavily becapped heads. But the arguments that it builds up by degrees: that there is no art uncorrupt apart from the class struggle; strike the right attitudes and you, too, can be an artist-hero of the revolution; solidarity with the cause instead of independence, should be resisted.

Jack Crabtree: The Dirty Clothes Lockers (1975) at the Whitechapel Art Gallery

Bush

Eejits

by B. A. YOUNG

Ron Hutchinson seems to be making a corner in the poor exiles of Erin, the Irish of "the County Kilburn." In *Eejits* he has collected four of them, each of a totally different provenance, and put them into a band. The most Irish of them is Daly the blind fiddler (Shay Gorman), but since he is such a compulsive liar—romancer, perhaps I should say—it is hard to know just how genuine his contact with the real Irish folk-music may be. The most musical of them is Conner the fluter (Michael Carter), a student of apparently straight Anglo-Saxon stock. Gribben (Rio Fanning), the manager, is from the North; and Danny (Eric Richard) is a Cockney of Irish parentage, who can turn on a bit of Irish when he does his "act," an atrocious monologue called "The Irish Jesus Christ."

Mr. Hutchinson has assembled this disruptive quartet in an upper room at a pub where downstairs, in the Magnolia Room, there is a reception for young Conner's wedding. It seems (but they are all so evasive you can never know the truth) that Conner hasn't asked them to play at the party, or even to meet the bride and the family, and the series of quarrels that this generates is the matter of the play.

There is a lot of pretty invention in the flowery language they speak, but there is also a distinct reek of midnight oil. They are as poetic as Shaw's Father Keegan addressing the grasshopper, but the more poetic they become, the more my belief in them fades.

Putting this Irish blarney aside, though, I thought them sharply drawn, and their differences convincingly real. Like so many Irish problems, they are of importance only to the Irish, and it is perhaps a weakness in the play that it is devised for entertainment rather than enlightenment—a kind of Irish Christie Minstrel show. David Leland is both director and designer: in the former capacity I think he should do something about the long, slow ending. The play finishes about five minutes before the author finishes it.

Eric Richard, Rio Fanning and Shay Gorman

Sadler's Wells

Mahabharata

by CLEMENT CRISP

I wonder if there is anything currently in the London theatre more thrilling to the eye, or more challenging to the spirit, than the Kathakali Dance troupe at the Wells. An ancient, vivid, ritualistic language tells tales of gods and heroes, battle, murder and divine apparitions. Costuming of extreme splendour clothes performers who have spent ten years perfecting their art. The rewards are the amazement and delight we feel when seeing some of the grandest—and some of the basest—human emotions displayed in a theatrical form ideally attuned to expressing them.

On Friday night the *Mahabharata* — or rather, brief extracts from it—was on view. A man gambles away his four brothers and their common wife: a lustful villain lays comic siege to a woman, and is filleted for his pains, and we see the lady's husband eat the villain's entrails and smear his wronged wife's hair with them to expunge the insult. The Lord Krishna manifests himself, radiant, all-powerful, and we sense the glory of his presence. A warrior, faced with an army that comprises his uncles and his teachers, cannot take up arms. He prays for guidance, and learns that he must fight for the sake of Justice in the world. A man, crazed with blood-lust, repents and finds salvation. These are the incidents, some tragic, some humorous, some very searching of our conscience, which this magnificent ensemble from Kerala shows us.

The players are star performers, one and all, and what they do demands every praise for virtuosity of technique and majesty of style. Early in the evening there is a dance for four brothers which they perform in unison for five minutes: a glorious sequence of choreography develops in speed and complexity as hands flash in gestures of exquisite refinement, feet pound and stamp while beneath golden, haloed head-dresses, eyes and brows flicker in an extraordinary counterpoint of meaning. It is uniquely beautiful. There are wonderful contrasts of scene, and of performance style. Krishnan Nair is a masterly comedian as he mimes his lust for the supposedly sleeping body of the heroine; Kesava Dev shows an ogrish humour, and Sadanam Krishnankutty a nightmarish ferocity, and all are performances entirely outside the range of Western art, and miraculous.

No Western artist could achieve what Vaikom Karunakaran does as Lord Krishna, moving with serenity through the tale, as if inhabiting a different plane of existence. At two moments he stands upon a stool borrowed from the upstairs bar at the Wells, holding trumpery replicas of the god's attributes. This is Krishna revealing his cosmic form, and the majesty and awe-inspiring presence of the god is absolutely clear in the performance.

The *Mahabharata* is to be seen again at the end of this week. Earlier programmes will feature selections from other parts of this monumental narrative. Performances are strongly recommended as an antidote to the vulgarity and shoddiness that afflicts us on all sides.

Two playwrights join Thames TV scheme

Thames Television has announced that two more playwrights have been nominated to join its Playwright Scheme. They are Leigh Jackson (27), author of *Eclipse*, and Ron Hutchinson (31), author of *Says I Says He*. Jackson is sponsored by the Royal Court Theatre and Hutchinson by the Royal Shakespeare Theatre, Aldwych.

The Thames Scheme—run through the company's committee for grants to hte arts and sciences—offers £2,000 to the sponsoring theatre to encourage the development of promising dramatic talent, by selecting a playwright for a twelvemonth attachment to the theatre.

Evian, France

Jeunes Musiciens sans Frontières

by NICHOLAS KENYON

French music festivals appear to be suffering from a crisis of identity, and not before time. Their purposeless proliferation is well summed up by a writer in the May issue of the music magazine *Diapason*, who complains "il n'est plus guère possible, au mois du juillet, de faire 30 kilomètres au sud la Loire sans rencontrer un festival. On comprend bien sûr les motivations del tel propriétaire, de tel curé de campagne, de tel notable desireux d'animer qui son manoir Louis XIII, qui sa chapelle du XIIe siècle, qui ses remparts ou ses ruines. Cependant, n'est-ce pas aller trop loin que de baptiser pompeusement 'festival' un recital de l'organiste local, un concert de la chorale ou de l'harmonie municipale pour attraper le touriste en mal de culture?"

At Evian, a watering-place 40 minutes out of Geneva on the southern side of the lake, things are refreshingly different. For the last three years Serge Zehnacker has managed to run a festival with point and purpose: his "Jeunes Musiciens sans Frontières" may not be exactly a knock-out, but at least it makes a change from the celebrity-studded round of recitals. The idea has been to combine a festival of youth orchestras with a competition for young string quartets: while the orchestras give concerts, the quartets battle it out in front of a jury of international musicians (including a resident string quartet) and a jury of critics.

Last year, Max Loppert represented this paper on the Press jury; I arrived only for the last week-end of the Festival, and so saw the results of this year's deliberations instead of the competition. The choice, to judge from the concert given a week later Saturday by the three prize-winning quartets, had been easy. The Prazak Quartet from Czechoslovakia, founded in 1972 from students at the Prague Academy of Music, gave a performance of Dvorak's A flat Quartet Op. 105 of such startling cohesion, force and passion that it was easy to understand why the jury had not only given them first prize, but had withheld the second prize. Their playing had a maturity far riper than that of the other two quartets I heard.

The Lyra Quartet, a rather older group formed from members of the Romanian Radio and Television Symphony Orchestra, won the Press prize for their account of Serban Nichifor's *Anamorphose* — they projected this collage of 20th-century quartet gimmicks precisely but without panache; only the dispersal of the members to the four corners of the (uncomfortably small) hall at the end was wittily done. The Havlak Quartet from Czechoslovakia like the Prazak, gave Janacek's First Quartet: a biting, impassioned account, but without any sophistication of tone from the individual players; they lacked nothing in unanimity and everything in warmth.

The Eastern European bias of this quartet competition, though unintentional, was evident throughout the Festival. Eleven countries in all were represented, but the tally was dominated by Czechoslovakia (who sent the Orchestra of the Prague Conservatoire for a concert with Zabaleta). Bulgaria (who were represented by a student orchestra from Sofia) and Romania (who provided the Camerata of Bucharest). France was represented by only one quartet, and by a youth orchestra which M. Zehnacker himself conducted in the opening concert. England provided the Elysian Wind Quintet, whose clarinettist Martin Burrell (usually resident in France) gave a beautifully warm, languorous account of the Mozart Clarinet Quintet with the resident Talich Quartet on the evening I arrived.

There was also a German group, the Youth Orchestra of the German Federal Republic, who gave the Festival's closing concert in the (again too small) hall of the Casino Royal. This remarkable band, under Volker Wangenheim, displayed in embryo all the qualities we have come to associate with German orchestra technique: rich string sounds underpinned by weighty, booming basses; a thickness throughout the middle register of wind and brass which makes clarity of texture impossible to achieve; and a full-throated unanimity of ensemble. Their playing was impressive but dislikeable, especially when they had chosen as concerto soloist Alexis Weissenberg: he gave an account of Beethoven's Fourth Concerto which was rarely precise, seemingly uncommitted and completely uninvolving.

The French audience too appeared uninvolved by the proceedings—but I should not have been deceived. They were merely saving their energy to accord Weissenberg his obligatory accolade, two encores as a minimum, before drifting away to spend what was left of the evening (after protracted prize-giving speeches and the inevitable late start) in the Casino or its disco. No blame to the Casino: it was that organisation which provided the Festival's finance and accommodation; but the social background of French concert-going dies hard. For us, it was back to the hotel—a stupendous oasis of luxury high above the Geneva lake, maintaining every inch of its turn-of-the-century splendour, looking with patronising indulgence upon the scuttering invasions of noisy young foreign musicians, and biding its time until the Season should fill its rooms with the quieter dignity of those seeking the Cure in its Waters.

Elizabeth Hall

Just Brass

The London Music Digest's concert on Friday night was devoted to recent music for brass—for brass band, given by the adventurous Grimethorpe Colliery Band under their present mentor and conductor Elgar Howarth; for brass quintet, played by Philip Jones and his Ensemble; and for solo brass, two works performed by the trombonist Vinko Globokar.

Two of the four Grimethorpe pieces were already familiar: Birtwistle's *Grimethorpe Aria* (the band's first commission from a leading composer, dating back to 1973), with its soot-bleak harmonies and menacing shadows of tuba and trombone, beautifully played, darkly stirring; and Hans Werner Henze's *Ragtimes and Habaneras*, decadent, bittersweet reminiscences of the Caribbean reworked "in terms of the British brass band." There were two new arrangements also, both by Howarth: of Tippett's short *Praeludium* for brass, bells and percussion, nicely sonorous in its new mellower dressing; and of Takemitsu's *Garden Rain*, originally scored for ten of the Philip Jones brass, neatly amplified for 26 players—as the performance settles, it will doubtless gain in delicacy and subtle shading.

Two Jones Ensemble trumpets framed the first half with Stravinsky's spiky *Fanfare for a new theatre*, blown from the balcony. The quintet together also gave very fine accounts of Henze's *Fragments from a show*—a satisfying virtuoso study concocted from the composer's dramatic cantata *Natasha Ungeheuer*; and of Birtwistle's choral fragment *Chorales from a toyshop*, tiny precis of the spareness and hard brilliance of the orchestration of the opera *Punch and Judy*.

It was the intention of the evening to give "some idea of the new possibilities in the brass medium, much more varied than is generally supposed." It was left to Vinko Globokar to champion some of the newest brass techniques: in his own *Res/as/ex/ins-pirer*, a remarkable body-blast of trombone breathworks, inhaled and exhaled, exhilarating for its physical presence; and in a masterly account of Berio's fifth *Sequenza*, wryly humorous, brilliantly sustained.

DOMINIC GILL

ENO North appointments

Ian Killik has been appointed orchestral manager for English National Opera North and John Pryce-Jones chorus master.

Ian Killik joins the company from London Festival Ballet while John Pryce-Jones has been associated with the Welsh National Opera for several years.

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Monday May 22 1978

Mismanaging money

THE FINANCIAL YEAR has got off to a thoroughly unsatisfactory start in the markets, and not without reason. It has now become clear that the control of the money supply last year was altogether too relaxed, because the authorities did not give enough weight to the forces making for expansion, and this has naturally undermined confidence both in their determination to control it in future and their competence to do so. The money growth in April itself sets a target for the current year some 2 per cent higher than the Chancellor can have had in mind when he laid it down, yet there is no sign that the target is to be adjusted to compensate for this: yet to treat past errors as so much water under the bridge is the very abuse of rolling targets which their critics always feared. Meanwhile, no progress is being made in funding a borrowing requirement slightly enlarged by the rise in interest rates.

Liquidity

The City's reaction to these events is, possibly, exaggerated. Some comment now being circulated recalls the crisis days of 1976, or suggests that the failures already recorded must irretrievably cause an increase in inflation in due course. However, money figures at present overstate the underlying trend almost as much as the earlier figures for M3, the sole official measure, understated them. The April money supply was still swollen by earlier foreign inflows, which have subsequently been reversed to some extent. The pile-up of liquidity in the hands of the institutions can be mopped up by sufficiently determined and early action in the markets. Provided that action is not too long delayed—for every week increases the weight of unfunded borrowing — both the money supply and the growth of domestic credit, which is likely to prove the harder test, can still be brought back within sight at any rate of their desired levels.

The cost, however, will be forbidding. Interest rates approaching 13 per cent on long stock are no trivial burden on the taxpayer when the prospect is that effective credit control and the underlying strength of the oil account of the balance of payments hold out a real prospect of reducing long-term inflation below the levels it has now reached.

Moreover, until a resumption of funding has been achieved, the present level of liquidity in the economy dangerously weakens official control both over the exchange rate and the level of demand. A pair of crossed fingers is no substitute for management, and figures distorted by mismanagement obscure the evidence that is needed for sound judgment.

An improvement in existing funding methods is therefore urgently needed to reduce economic risks, real costs, and to allow the system to function smoothly enough to provide the early warnings which a well-managed system signals so clearly. The simplest improvement would be to respond far more promptly to market pressures. When repeated experience shows that prolonged pauses in funding lead inevitably to large jumps in interest rates, it is not even sound electioneering to hold out against the market for week after week.

However, there are always bound to be times when confidence is weak, even if these crises are not self-inflicted, like the present one. A more imaginative approach to funding, with a wider choice of securities, better tailored to the needs of particular investors, would certainly help. Securities to reassure the nervous are especially lacking. The terms of the floating-rate bond launched last year should be reconsidered, and other possibilities of offering some underlying real value remain untried.

Ambiguity

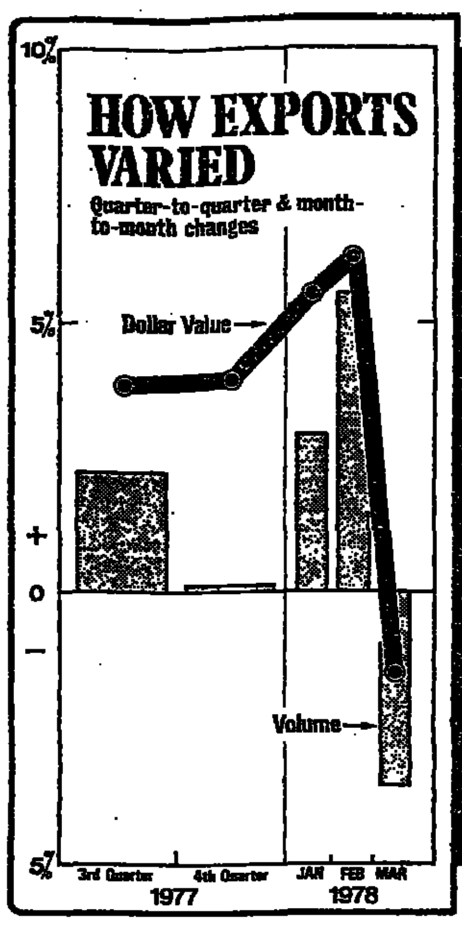
Once a functioning market has been restored, it will become possible to judge again whether the Government's intended borrowing requirement can be funded without undue pressure, and interest rates which hamper recovery. This seems on the whole improbable, with consumer spending now rising strongly, and production beginning to respond. As a first step, the Chancellor should end the ambiguity about whether steps will be taken to finance the tax cuts voted by Parliament: the borrowing requirement was at the extreme limit of plausibility before the cuts and the rise in the cost of debt service. Later in the year, if private sector growth continues, it may not only be the monetary targets which need review. On his past record, the Chancellor may still have time for a fourteenth Budget.

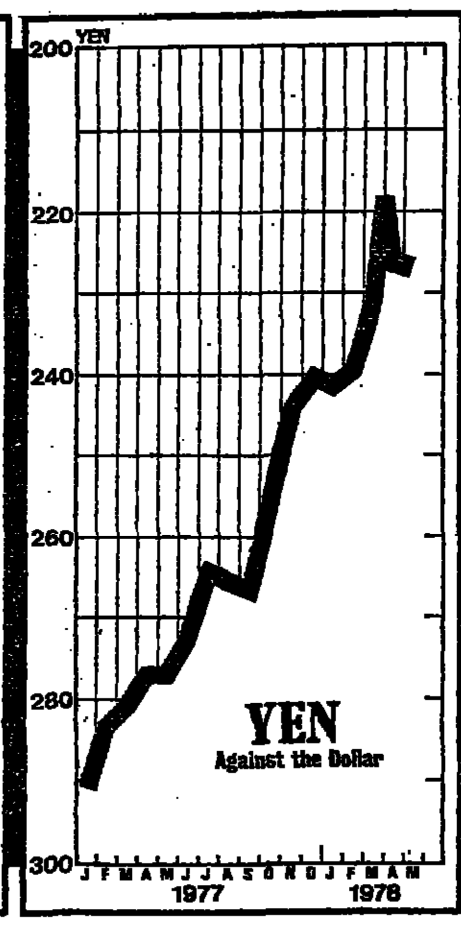
How yen revaluation may strengthen Japan

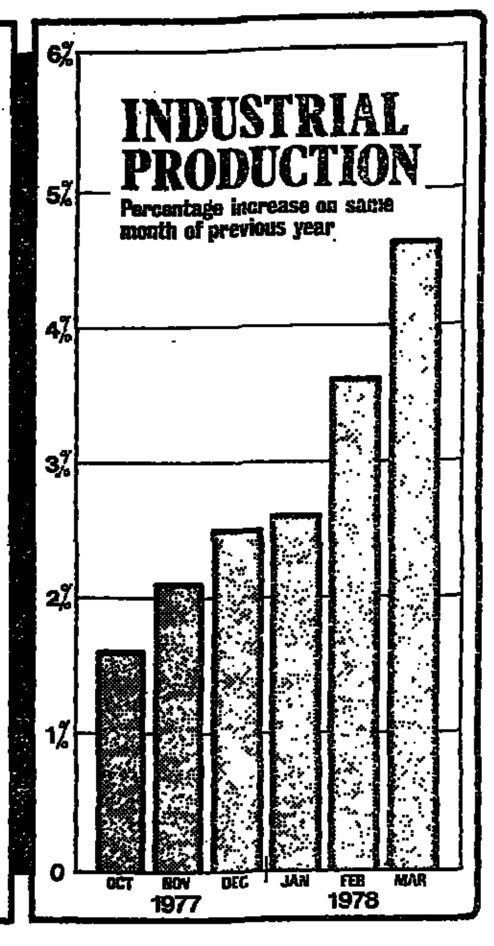
By CHARLES SMITH, Far East Editor, in Tokyo

THE Japanese economy has not been crippled by the 30 per cent appreciation of the yen against the dollar that has occurred over the past 16 months. It would probably be truer to say that its long term ability to compete in world markets for sophisticated industrial goods has been strengthened appreciably — always assuming that Japanese businessmen can keep up with the rate of change imposed by revaluation. This conclusion is beginning to emerge from studies of the effects of revaluation being made in government agencies some six months after it was generally claimed that a sharp upward movement of the yen would plunge Japan back into recession.

The more optimistic mood which is being voiced both in the Government and outside can be interpreted in part as a natural swing of the pendulum away from last autumn's exaggerated pessimism about the impact of yen revaluation. When the yen-dollar rate started to move in favour of the yen at the rate of about 10 points per month from the end of September onwards, the initial reaction was that one of the basic certainties of Japanese economic life—a predictable though not a stable exchange rate—had been swept away.







Companies which had been calculating their dollar-based export prices on the basis of an assumed rate of yen appreciation suddenly found themselves faced with roughly double the rate of appreciation they had expected and with correspondingly big cuts into profits on their exports. Japanese politicians, from the Prime Minister, Mr. Takeo Fukuda, downwards, fanned the agitation with frequent predictions that hopes of achieving a real economic recovery in 1978 would be fatally damaged if the U.S. failed to stabilise the dollar and helped Japan "hold down" the yen.

A second and lesser wave of panic occurred early in April when the yen, after holding fairly steady in the first two months of the year, suddenly put on another 8 points against the dollar within a week (to the historical peak of $1 equals Y218, from which it has since retreated to a more moderate $1 equals Y227.375). By that time, however, the message was starting to get through that the impact of the initial bout of yen-dollar appreciation had been less disastrous than feared.

Key economic indicators such as the industrial production and manufactured goods shipments indices, which had been dipping worryingly during the late summer of 1977 (before the yen appreciation really got under way), started to turn upwards in the winter. They have kept on gaining in the early months of 1978, though hardly by very spectacular margins. More remarkably, and a good deal less reassuringly from the point of Japan's partners in world trade, exports performed very strongly indeed during the first two months of 1978, although there has been some levelling off since.

In the final quarter of 1977 the volume of Japanese exports showed almost no increase over the third quarter. In the first two months of 1978, when revaluation might have been expected to be starting to hurt, export volume rose by 2.9 per cent and 5.6 per cent on a month-to-month basis before subsiding by 3.5 per cent in March. The strength of exports during the first two months of the year can be put down partly to special factors such as the delivery of a Y60bn ($270m) floating pulp factory to Brazil in February and a sudden spurt of car exports to the U.S. (caused apparently by the release of pent-up energy after Japanese car exporters had deliberately held back in the final months of 1977). A more fundamental point seems to be that Japanese exporters are finding the going easier than they had feared.

At the beginning of 1977, before the yen had started its rapid rise, most Japanese industries were telling the Economic Planning Agency that they could not export at a profit if the exchange rate went much beyond Y290 to the dollar. Now the range at which industry thinks it can sell abroad and make money goes from 240 yen to the dollar (for textiles) to under 200 yen to the dollar for some parts of the electronics industry.

One point which helps to explain the surprising resilience of Japanese industry in the face of revaluation is that, for many industries, exchange rate adjustment has turned out to be a matter of swings and roundabouts. A typical instance is steel (for long Japan's number one export until edged out during the past two years by the sharp rise of car exports). Japanese steel makers, or rather the integrated portion of the industry which starts with basic iron making, are overwhelmingly dependent on imported raw materials. On a rough calculation the steel industry spends about 80 per cent. of what it earns from exports on buying imported raw materials, chiefly iron ore and coking coal. That means that some four-fifths of the damage which the industry suffers as a result of having its yen earnings cut by revaluation (assuming that dollar-denominated export prices remain unchanged) is offset by a fall in the yen cost of its raw materials.

Steel exporters in practice have not held their export prices steady in terms of dollars. They have been obliged to raise their dollar prices in key markets such as those of the U.S. and Western Europe by devices such as the U.S. trigger price system which assesses an exporter's costs on the basis of a formula derived from Japanese production data and provides for anti-dumping duties to be levied on products sold below the assessed levels. Japanese steel exports have not been alone in undergoing price increases as a result of the U.S. trigger price system. Europeans and American steelmakers have raised their prices as well, thereby substantially offsetting the effects of yen revaluation.

Another industry which has managed to make overseas price increases stick since revaluation is the motor industry. Most Japanese car exporters have raised their prices in the U.S. by about 20 per cent since the start of 1977. Car exports have nevertheless continued to grow, at least until last month or so, for two very simple reasons. One is that U.S. car manufacturers have been raising their prices too, though not quite as fast as Japanese exporters. The second point is that Japanese exporters have been exercising "restraint" in the U.S. market so that demand for their cars outruns supply.

Not all Japanese industries are in the lucky position of having foreign customers queue up to buy their products regardless of whether they raise their prices. For Japanese industry as a whole export prices expressed in dollars have over the past 16 months gone up by substantially less than the amount of the revaluation (by 13.5 per cent as against a yen appreciation of 30 per cent). Export prices expressed in yen have come down (by just under 7 per cent). In order to cut export prices Japanese industry has engaged in a far-reaching and sometimes ruthless cost-cutting campaign which is still going on.

Big Japanese companies do not normally cut costs by dismissing employees, but they have not hesitated to use their market strength to impose price cuts on the hundreds of thousands of small sub-contractors which supply them with components. Primary sub-contractors have usually been able to pass on these cuts to their own, still smaller, suppliers so that the burden of cost cutting has been widely shared.

The real sufferers in this process would appear to have been workers in small companies who have been obliged to accept wage cuts in order to allow their employers to reduce their prices to big industrial customers. The option of avoiding wage cuts by switching to another company does not in practice exist for Japanese workers since anyone who flouts the system of life-time employment by changing jobs is liable to face a 20 to 30 per cent cut in his earnings.

Apart from forcing their suppliers to cut component prices some Japanese companies have started to increase their overseas procurements of parts and materials. Hitachi, for instance, intends to double its ratio of imported parts from 5 to 10 per cent over the next two years. A hard core of exporters have cut their export prices, in yen, or held them steady in dollars, because to raise dollar prices would mean to lose markets, and because they preferred to sell at a loss rather than to close down large production facilities which would be costly and time-consuming to re-start once taken out of operation.

Japanese industry calls such loss making exports "bleeding exports," though the rest of the world might label them dumping. It seems to have been dogged determination to keep on exporting at all costs that kept Japanese artificial fibre manufacturers active in foreign markets during January and February after the government had expected them to give up.

The success of Japanese industry in adjusting itself to revaluation assuredly does not mean that there are no problems. Certain types of Japanese exports are expected to suffer in price-conscious markets (such as some Arab markets for large-scale industrial plant). Some industries, including a few quite major ones, may well have passed the point of no return and may ultimately have to withdraw not only from exporting but also from Japan's own domestic market in favour of cheap imports from other Asian industrial countries.

In the middle-of-the-road industries like electronics survival promises to be tougher from now on and to depend on the ability to keep on cutting costs and moving into higher technology areas. Hitachi, which started an intensive cost-cutting campaign long before the recent yen appreciation, says it expects to save Y5bn (about £13m) per month through its Value Analysis programme which includes redesigning and simplifying products, using cheaper or lighter materials, and streamlining every conceivable type of overhead, including distribution costs. Moving into new products for a company like Hitachi means dropping traditional lines like vending machines and advancing into the growing field of micro-computer controlled electronic devices which includes electronic telephone exchanges, micro-wave ovens, and medical diagnostic equipment such as blood analysers and brain scanners.

Hitachi says that if it had not started doing this kind of thing years before yen revaluation struck it would probably be too late to start now. For some companies it may indeed be too late. There will be more bankruptcies and mergers in Japanese industry during the high yen era than there were in the earlier phase of ultra-rapid economic growth. There will also be a hardened bunch of survivors who may well offer tougher competition than ever to their opposite numbers in the West.

Peru after the IMF

THE OUTLOOK for a peaceful return to civilian rule and an advance towards democracy in Peru was clouded on Saturday when Gen. Francisco Morales Bermudez, the President, imposed a state of emergency. His decision comes at the end of a difficult decade.

In 1968 the army took control of the country out of the hands of the elected civilian president, Sr. Fernando Belaunde, when it seemed that the interminable wranglings of Parliament were doing little or nothing to modernise and strengthen a backward and racially divided society.

The military strong man who succeeded Sr. Belaunde, Gen. Juan Velasco, did much to bring Peru into the 20th century and when Peruvian history comes to be written his term of office may well be seen as one of the most important.

Weakening

Two years ago, however, his efforts were seen to be weakening and he was toppled in a bloodless coup by Gen. Morales, a more cautious, conservative and less ambitious soldier. Gen. Morales' term of office has coincided with severe balance of payments difficulties caused principally by the fall in the price of many of the country's export items and compounded by the heavy bills incurred by Gen. Velasco's development programme and arms purchases.

As foreign reserves melted away, the private banks attempted to mount a financial rescue operation but this was not successful and last year Gen. Morales, who had by now decided that the army should start returning to its barracks, was obliged to treat with the International Monetary Fund.

The terms which the Fund sought to impose on Peru have proved to be onerous in the extreme and have been the subject of much controversy. Yet with his coffers empty, Gen. Morales has had no choice but to accept them. He has now had to increase the domestic oil price sharply, put up the price of some staple foods by 50 per cent, and devalue the sol yet again.

It is hardly surprising that the measures have been greeted by a wave of protest and rioting which has left a toll of death in the streets of many Peruvian cities. These events have been followed by the postponement of the elections for a constituent assembly which were to have been held in a fortnight's time.

The elections for the Assembly were announced by the Government as the first step on the road to a return to civilian rule and the decision not to hold them on the published date is a grave matter. It could be that the postponement will have a profoundly unsettling effect on Peruvian politics and may tempt Gen. Morales' rivals to bid for power and thus imperil Peru's precarious stability.

Devastating

The present Peruvian crisis and similar difficulties facing the Jamaican authorities raise yet again the question of the appropriateness of the demands that the Fund makes on developing countries as the price for its assistance. Austerity measures which rich countries such as Britain find burdensome but in the last event tolerable can have devastating effects on the political and economic fabric of poorer countries.

As at least one Minister indicated last week, the Fund's attitude to developing countries may well have to come under closer scrutiny in the future.

MEN AND MATTERS

Saving Britain's kidney patients

For almost a decade a tragic dispute has been raging between the Department of Health and regional health authorities. The dispute has been over the priority to be given to patients suffering from kidney failure. In the course of it thousands of kidney patients have died because of a lack of the necessary facilities.

One month ago it seemed that a solution had been found. The budget provided for 400 extra dialysis machines to be made available. But yesterday Dr. Anthony Wing of St. Thomas's Hospital told me that of Britain's 46 renal centres, 41 who have replied to questions say that it is not machines which are the main present constraint on expanding treatment and thus saving more lives. Instead the immediate problem is one of expanding staff and buildings.

Wing, who is Chairman of the Registration Committee of the European Dialysis and Transplant Association, stresses that the "productivity" of Britain's relatively very small number of renal centres is strikingly higher than that of centres in Western Europe. But he stresses the value of "satellite units"—small units backing up a major centre, with a low staffing ratio and a high degree of self-care by patients.

In the 1960s Britain was one of the world leaders in the amount of treatment it gave to kidney patients. Now it comes 13th on a list of European countries graded in terms of patients on treatment per million population.

Elizabeth Ward of the British Kidney Patient Association says that each year 3,500 people who could have been saved die from kidney failure.

The Department of Health thinks this figure a little on the high side but tells me that only between one-third and one-half of those needing treatment now receive it. It says that even with this year's budget allocations it will take at least five years before the required facilities are available. It is the only area of National Health Service activity where doctors have to choose between which patients to save and which to let die. The Department says that since regional authorities were given the power to allocate their funds as they chose there have been problems over the relatively low priority some authorities have given to the costly problem of treating kidney patients.

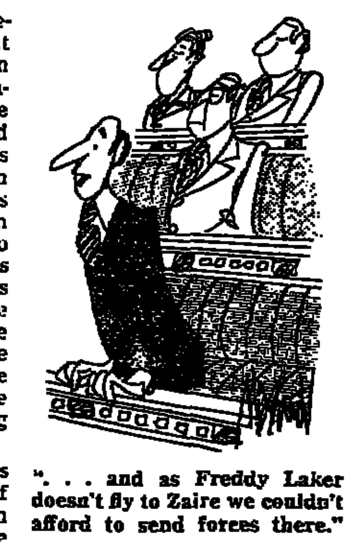
The South West Thames region has the lowest rate of treatment of kidney patients in the country. They told me that this was because of the hospitals just outside their borders and that they had no waiting list. But the Department of Health angrily countered that the region's failure to provide proper facilities put undue strain on the already inadequate facilities in the areas around it. They said "Of course there is no waiting list. If patients are not treated they die."

Ominous hints

The outlook may not be quite as bright as it would seem at the European Credit Bank. At a conference in Brussels to mark the bank's 10th year and celebrate a healthy increase in profits, one bemused guest was presented with a copy of "The Crash of '79," the high finance doom thriller by writer Paul Erdman. The guest also received a handsome clock—presumably to start the countdown with.

Classy game

Clement Attlee used to say that he did not preach class struggle but found it around him. Now an American academic has found a fine capitalist way to profit from the idea which is central to the Marxist canon, even if it has led to a major political controversy over his possible appointment to a chair at Maryland University.



". . . and as Freddy Laker doesn't fly to Zaire we couldn't afford to send forces there."

Bertell Ollman of New York University's Department of Politics has come up with the socialist's answer to the game Monopoly. Called simply "Class Struggle" it sports a picture of Karl Marx and Nelson Rockefeller wrestling on its cover. One worker's chance card reads "You are caught feeling sorry for the capitalists. Victory in class struggle comes to people who think about their own class. Miss two throws." A "capitalist's chance card has instructions in such spirit as "You embezzle one million from stockholders. No one sees or cares. Move ahead one space."

Ollman had trouble finding manufacturers for the game. Eventually he formed a company with friends: the profits are to go to socialist schools and journals. But Ollman, who was recently selected from over 100 candidates to head the Political Science Department at Maryland, has now had his suitability questioned by the incumbent. The appointment has also become a major issue in the state's gubernatorial campaign. Unperturbed by such controversy, Sargent Shriber, former head of the Peace Corps, has just ordered seven sets of the $9.95 game for friends in the Soviet Union. I would like to know who wins.

Spill off

Poor Alantic Richfield. It was only after its ultimatum to the National Graphical Association that its paper, the Observer, finally came out yesterday. But even then it was in so reduced an edition that the oil company's advertisement for a geophysicist did not appear in its pages, though it did in its arch rival, the Sunday Times.

Just shamming

Some of my readers have been complaining that there is occasionally an anti-Irish spirit in my jokes. Unfair, I say there is even a shamrock on my desk diary. But to prove my point, B. R. Ackenhouse and I will only be printing Andorran anecdotes in future.

One which we have just heard was from a reader who went into a small Andorran country pub recently. He was greeted by the landlord, who told him that he was too early. "It is half an hour to opening," he added "but you're welcome to take a seat until then."

The reader sat down and opened a newspaper. "That's right," said the landlord, "make yourself at home—and would you care for a drink while you're waiting?"

Observer

FINANCIAL TIMES SURVEY

Monday May 22 1978

WORLD BANKING

PART ONE: PART TWO WILL APPEAR NEXT TUESDAY MAY 30

Banking communities and their supervisory authorities around the world are still enmeshed in the twin problems of inflation and economic recession. For most the future remains one of uncertainty until means are found to stimulate recovery.

CONTENTS: PART ONE

Still tuned to a low key

By Peter Riddell

Economics Correspondent

A DEPRESSING familiarity has characterised discussions over the past 18 months on prospects for the world economy. At meetings of officials and Finance Ministers it is monotonously agreed that the outlook is gloomy and that growth is unlikely to be sufficient to prevent a rise in unemployment unless concerted action is taken. The emphasis may change but the message has been the same — from the Puerto Rico summit of the leaders of the seven major industrialised countries via the London meeting a year ago to the preparatory talks ahead of the Bonn summit in mid-July.

While 1978 has in many respects looked like being a repeat of 1977, the mere continuation of poor performance has aggravated and not lessened the problems. Mr. Emile van Lennep, Secretary-General of the Organisation for Economic Co-operation and Development, argued earlier this year, "it would be wrong to underestimate the dangers involved in the persistence of an inadequate and maldistributed rate of growth" in the industrialised countries. He went on to highlight the social and economic costs of high unemployment, the prospect of continuing serious payment imbalances, worsening problems in particular industrial sectors, and the steadily growing pressures for protectionism.

This prospect has given an increased urgency to the Bonn summit but there are no great hopes that anything substantial will be agreed in the key areas of currency stabilisation and action to boost economic growth rates.

The danger is that the current faltering economic recovery could turn into a new recession in 1979, aggravated by growing protectionism. The prospect was summed up by Mr Denis Healey, the Chancellor, at the recent meeting in Mexico City of the International Monetary Fund interim committee, which he chaired. He said there was "a danger of the world economy entering a deflationary spiral unless those countries with large payments surpluses took action to stimulate demand."

A slow, and unevenly distributed, rate of expansion has been the most clearly identifiable problem of the past two years, explaining much of the payments imbalances within the industrialised world and the resulting currency instability. All this is against the background of a continuing large surplus for the oil-producer countries (OPEC) taken as a whole.

Bursts

After a sharp initial recovery from the recession in late 1975 and early 1976, economic activity in most of the main industrialised countries has since grown at a slow rate with only short-lived bursts, such as in the first few months of last year.

Real Gross National Product in the industrialised countries grew by under 3¾ per cent. last year, compared with 5¼ per cent. in 1976. This meant that the various growth targets set by Finance Ministers at summit or OECD meetings were not fulfilled. By the end of last year unemployment in industrialised countries altogether was about 16½m., or some ½m. higher than at the trough of the recession in 1975.

Even more significant has been the fact that the U.S. has accounted for a large part of what expansion has occurred— growing by 5 per cent. in 1977. At the same time growth in Europe has been very slow— barely 2 per cent. in real terms in 1977. This was partly because stabilisation programmes in Britain, Italy and France acted as check, as intended, on expansion while the current accounts of these countries moved towards balance. But there was also slower growth in 1977 in surplus countries such as West Germany.

This led to a worsening distribution of current account balances among the industrial countries, with the U.S. current account deficit jumping from $1.4bn. to just over $20bn. Although a large part of the increase reflected higher oil imports, the surplus of the OPEC countries fell by a few billion dollars. It was increasingly concentrated on a small number of countries with a low capacity to import, notably Saudi Arabia and some of the Gulf States. Several of the other countries with larger populations moved into deficit and have become net borrowers.

The rise in the U.S. deficit was mainly matched by a rise in the Japanese surplus from $3.7bn. to $11bn. while the German and Swiss surpluses remained high. As Dr. Johannes Witteveen, the retiring managing director of the IMF, recently remarked, "the cause of equilibrium among industrial countries would have been better served if improvements in the Italian, French and U.K. current accounts had been accompanied by opposite adjustments of German, Japanese and Swiss balances, so that less direct or indirect counterparts of these improvements would have been centred on the U.S. balance."

The current account position of some of the previously "convalescent" European economies has improved in the past 18 months. But the continuing uneven distribution of balances among industrialised countries has created the danger of currency instability and the possible adoption by weaker countries of restrictive trade practices or deflationary policies.

The currency instability has been all too apparent in the past year, with the dollar falling sharply against the Deuschemark, Japanese yen and Swiss franc. The result has been growing pressure on the surplus countries, notably Japan and Germany, to take action to boost imports from the rest of the world. This formed the basis of the so-called "locomotive" theory much favoured in international economic discussions up till the end of last year, when the emphasis switched to a broader approach, the "convoy" theory.

There have, for example, been trade talks between Europe and the U.S., and Japan, to curb the latter's exports, though the rise in the Yen may have an effect. There is also a growing recognition of the long-term structural nature of the Japanese current account surplus. Consequently more attention is being devoted to ways in which Japanese capital can be invested on a long-term basis overseas, possibly via multilateral aid organisations.

Reluctance

In West Germany there has been a reluctance to introduce any more than a modest stimulus to the economy, partly because of fears about the impact of larger reflation on the rate of price of inflation. Restrictions on public sector borrowing and the high savings ratio are also cited as reasons why larger packages either cannot be introduced or wil lnot work in the way suggested by outsiders.

The result, both of this record and attitudes, is that by the early months of this year it looked unlikely that the measures taken in autumn 1977 would be sufficient to set off a self-sustaining growth process. Investment was still sluggish in most countries and savings generally remained high, so limiting the revival in consumer demand.

Consequently at the IMF interim committee meeting at the end of last month Dr. Witteveen presented a gloomy view of the outlook for the world economy unless concerted action was taken. His note, based on IMF staff work, showed real world Gross National Product growing by 4 per cent. this year compared with less than 3¾ per cent. in 1977, with world trade expanding by only 5 per cent. in both years, well below its long-term rate of increase trend.

Dr. Witteveen noted that outside the U.S. the rate of growth should be generally higher this year than in 1977, though any slight acceleration may be insufficient to reduce unemployment. The gap between actual and potential output in manufacturing has continued to be large. In the six major industrial countries outside the U.S., the average gap is about 13 per cent. (ranging up to 20 per cent. in Japan), compared with roughly 2 per cent. in the two decades up to 1974. Resource utilisation in the U.S., manufacturing sector is only about 5 per cent. short of potential with

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Exporters' surpluses thinned down

THE OIL-exporting countries, whose multiplied revenues have had a major impact on the world economy and banking system in the past 4½ years, are now facing the greatest squeeze on their earnings since the petroleum price was quadrupled at the start of 1974.

Estimates of their surpluses, often known as petro-dollars or petro-money, have been steadily scaled down, while still remaining large, in response to recent price and economic trends. Compared with figures of some $37bn in 1976 and $34bn in 1977, the total amount of revenue remaining to the Organisation of Petroleum Exporting Countries (OPEC) group, after all costs, including rising import bills, have been met, may be only $25bn or even a little less in 1978.

This will be the lowest figure since the oil price soared, with dramatic consequences for the international economic and monetary system, and will be less than half the $57bn. surplus earned in 1974 before the OPEC import boom got under way. Moreover cost inflation and the fall in the dollar have reduced the buying power of the petro-money by more than 25 per cent since 1974.

Even $25bn, however, is still a very large sum compared with what the oil-producing nations were earning before the steep price rise in early 1974. It will raise the total external assets of the OPEC States — including Saudi Arabia, Iran, Iraq, Kuwait, the United Arab Emirates (UAE), Libya, Nigeria and Venezuela—at the end of 1978 to around $180bn, much of it in bank deposits of shorter or long term and a great deal of it, perhaps 70 per cent, in dollars in the Euro-currency markets and the U.S. At the end of 1972, before the oil price took off and transferred major amounts of wealth to the oil States, the comparable holding was only $13½bn.

In any calculation of likely oil surpluses, the price of the commodity plays a large part. Pressures on the price in the context of a sluggish world economy and a glut of supplies, are now strong and are likely to be felt for many months to to come. This is despite the expected OPEC action to cut back production by 20 per cent in the hope of removing excess supply and eventually firming up the price.

After the quintupling of the oil price level in the three years after 1973, last year saw a more open rift on policy within OPEC. Most producer nations brought in a 10 per cent price increase early in 1977, with a view to adding 5 per cent more in mid-1977.

But Saudi Arabia, much the largest producer, and the United Arab Emirates, both with relatively small populations and rich reserves, put their prices up by only 5 per cent.

By mid-year, when price resistance among consumers and slack demand induced by the worldwide recession—which was itself in large measure due to dearer oil—was plainly evident, Saudi Arabia and the UAE brought their prices into line with those of the others, eliminating the two-tier situation. The planned further 5 per cent increase was, however, forgone, and since then Saudi Arabia has taken the lead in pointing out to its partners the realities of the situation and the inhospitable environment for any further price rise yet.

Sources

Against the background of market glut and of growing competition from such new sources of oil as the North Sea, Alaska and Mexico to the traditional producers, the OPEC nations deferred a decision to raise prices at the end of 1977 and at their recent conference at Taif in Saudi Arabia formed a new committee to consider the group's longer-term price strategy. Reports last week suggested that OPEC was now cutting production back to 26m barrels per day (bpd), from almost 29m bpd in March and would carry through a 20 per cent reduction in the hope that this could create a better climate for higher prices next year.

Recent tougher action by the U.S. to relieve pressure on its currency has somewhat mitigated another OPEC anxiety—that the decline in the dollar was steadily eroding the value of the group's revenues and surpluses, all geared largely to the dollar. The falling purchasing power of the dollar was one of the major factors behind recent pressure by some OPEC members for higher prices or for the link of the price they received to a "basket of currencies." While Saudi Arabia's Crown Prince Fahd has lately reiterated the Kingdom's confidence in the dollar and said that it did not wish to switch to payment in any other currency, there is little doubt that Saudi concern about the dollar's value and the need to sustain it was conveyed to the U.S. earlier this year.

Stiffer

Now, the stiffer monetary policy of Mr. G. William Miller, the new Federal Reserve Board chairman, the reduction in prospective U.S. tax cuts and the American plan to sell gold, have combined to give the dollar a better tone in world markets. Its depreciation against other currencies since late-1971 is only around 5 per cent compared with almost 6 per cent a few weeks ago. But inflation has meant that its purchasing power is down some 18 per cent altogether since 1976.

One trend which has eaten steadily into the OPEC revenues has been the increase in the oil States' imports, both for their development programmes and for greater consumption. The whole OPEC group's imports rose from only $20bn in 1973 to $34bn in 1974, $67bn in 1976, and $85bn in 1977, and the figure could well reach around $100bn this year. In addition, spending on overseas services — construction work, tourism, and so forth—has also been rising sharply.

The overall net surplus of the whole group is also tending to be limited by the borrowings of some OPEC nations, such as Iran and Venezuela.

Even, however, if the OPEC countries have only some $25bn of surpluses to deploy this year, the sum will still be a major one in the world financial scene. As hitherto, the bulk of it is likely to belong to the four Gulf region States, Saudi Arabia, Kuwait, the UAE, and Qatar.

Coming on top of the large surpluses already accumulated, the disposition of this year's surplus is bound again to be a matter of much interest to world markets.

It is probably true to say that the huge surpluses of petro-money which have accrued in the last few years have been disposed of with care and caution and that a great part of the money is still held in bank deposits and other relatively short-term forms.

Translation of the very large short-term holdings into long-term investments, both for development at home and in enduring overseas holdings, is one of the problems which has faced the oil-producing States since 1974 and one which has not yet been solved to more than a very limited extent. Considerable aid has been channelled to the poorer countries, particularly in the Arab world, but the imbalance between the needs of the poorer Third World, and the still large surpluses of the oil producers—a major part still held in short-term balances—remains a feature of the world scene which poses questions for the future.

Meanwhile there is no reason to think that the rather smaller, but still large, net OPEC surpluses becoming available for investment this year will be used in a less cautious way than in recent years. The pattern is likely to remain one of a sizeable amount of cash being held in bank deposits, but with a gradually rising quantity of bonds, mostly of U.S. Government and top American and certain other international companies, absorbing an increasing part of the money.

So far as Saudi Arabia is concerned, short-term holdings in a range of some 54 banks in several leading countries (known as the "magic circle") are likely to take much of the accruing cash, a large part of which will be held in dollar or Eurocurrency form.

Equities

Only minimal quantities of Saudi surpluses have so far found their ways into equities, though Kuwait, with a long-established system for investment in the West, partly through the Kuwait Investment Office in London, has more strongly favoured investment in shares and has several hundred million pounds invested in UK equities and property. Last year it disclosed a range of limited stakes in big UK companies, including general Accident, Guardian Royal Exchange Assurance, and Trafalgar House, when interests of 5 per cent or more in UK companies' equity had to be revealed.

Iran has also shown some taste for direct investments in the West, as in its purchases of holdings in Krupp in West Germany.

Of the $33bn net surplus which the Bank of England estimates that OPEC countries earned last year, $12.6bn is believed as having gone into bank deposits — as much as $8½bn of it outside the U.S. and UK domestic dollar and sterling markets respectively. Much of this was in the Euro-markets generally, so that a sizeable proportion of it also was denominated in dollars.

Concern towards the end of last year about the dollar's value found some reflection in an actual fall of $800m. in 1977 in OPEC holdings of U.S. Treasury bills, though there was also a slight rise in the oil nations' holdings of rather longer-term U.S. bonds and notes, by the sizeable figure of $4.3bn.

Another trend which has been quietly taking place has been the channelling of rather more of the OPEC cash, including that of Saudi Arabia, into private placements with leading companies and borrowing institutions, particularly in the U.S. but also to some extent in other countries. The Saudi International Bank in London, half of whose capital is held by the Saudi Arabian Monetary Agency, and whose business is general banking, recently mentioned that the investment of excess funds by the Arabian Gulf States, particularly Saudi Arabia, through the medium of private placements was increasing rapidly and could be expected to grow further.

Issues

Purchases of international bond issues by OPEC investors, though difficult to identify, also appear to have been considerable.

These trends towards some longer-term investment reflect a certain shift towards more settled investment outlets for the OPEC surpluses. And although they account for only a limited part of the petro-money, there is no doubt that all the surpluses have been deployed in a generally careful and conservative way and that the world banking system has absorbed them relatively comfortably. They have, in part, helped to feed the recovery of the Euromarkets in the past two-and-a-half years, after the shocks, including the collapse of the Herstatt bank, in 1974. Certainly there is now much less very short-term cash washing around the banking system, particularly in the U.S., than in 1974.

Another undeniable fact is that the investment of petro-money is, despite the past year's gyrations of the U.S. currency, still largely tied to the dollar, the currency in which oil revenues are essentially paid and which, by reason of the realities of the world monetary system, is the inevitable outlet for much of the holdings.

Mr. Anthony Solomon, the U.S. Under-Secretary for Monetary Affairs, recently suggested that some 70 per cent. of all the accumulated OPEC surpluses was in dollar instruments, with about 25 per cent. in the U.S. markets (as distinct from the Euromarkets).

Margaret Reid

Low key

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a further decline in the margin expected during the next year.

A more optimistic view has been presented by U.S. officials. They have highlighted the modest pick-up in economic growth in Germany and Japan, an improved economic outlook for the less developed countries, the likelihood of a $10bn. drop in the surplus of the OPEC countries, a good chance that the Japanese surplus should move down later this year and expectations that the U.S. current account deficit should decline in the second half of this year.

However, Mr. van Lennep told the IMF interim committee that the provisional assessment by the OECD was likely to be less encouraging than that forecast by the IMF, with more payments disequilibrium and growth rates in industrial countries tailing off in the first half of next year.

Promoting

A change in strategy towards promoting growth was presented to the IMF by Dr. Witteveen, with recommended rates of expansion for the major industrial nations. He outlined a pattern of differing rates of expansion in order to promote a substantial adjustment to current account balances. For example, the U.S. growth rate was projected to decline from an estimated 4½ per cent this year to 4 per cent in 1979, partially offset by an acceleration from 5.7 to 7.5 per cent. in Japan and from 3.1 to 4.5 per cent. in Germany. An increase in the growth rates of the U.K.—up from 2.9 to 3.5 per cent—and of Italy and France was also proposed.

Dr. Witteveen estimated that after allowing for other influences, such as the potential fall in the OPEC surplus, the U.S. current account deficit should fall from an estimated $17½bn. this year to $6½bn. in 1979. Japan's surplus should shrink from $11.2bn. to $2.2bn. while Germany's estimated surplus of $7½bn. this year should turn into a deficit of $100m. There should be improvements in the current account balances of the other major European economies with Britain's surplus rising from $1.9bn. to $4.5bn.

The problem has been that while this may seem an attractive outline to many countries there is not yet any sign that Germany and Japan, the two key countries, will be willing to take the necessary action. At the same time there is also disagreement about the various proposals put forward for stabilising curency markets—in particular about Chancellor Schmidt's suggestions for a closer alignment of currencies within the EEC.

Relations between the U.S. and Germany have been improving in recent weeks compared with earlier in the year. But there is still little evidence that sufficient progress can be made to allow agreement on much more than a vague formula of good intentions. This may be useful in a negative sense by preventing a more rapid slide towards protection and encouraging at least token action to boost growth rates by the surplus countries. It is also open to doubt what effect any such stimulus would have. The pressures for action to stabilise currencies may have eased, however, since there are already signs of a recovery in the dollar

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Patterns of instability

INTEREST RATES have been unstable throughout the year, with fluctuations in the currency markets exercising a dominating influence on comparative levels. The dollar weakened steadily over the past nine months—only staging a recovery in April, when it bounced back against all the major currencies. The corresponding strength of the leading Continental currencies and the Japanese yen have been reflected in contrary movements in the level of interest rates.

In 1977 the pressure on the dollar produced sharp rises in the value of all the traditionally strong currencies, the Swiss franc and the yen in particular and the West German D-Mark. At the same time there was a remarkable transformation in the position of sterling, which has been usually one of the weaker currencies. This was thanks to a restoration of international confidence following the negotiation of the International Monetary Fund loan and the improvement in the balance of payments as North Sea oil began to make an impact.

The first few months of this year have seen significant changes in the picture. The French franc, which had been very badly hit by fears of a Left-wing victory in the spring elections, recovered sharply when the Right held its position. In a few days the day-to-day money rate fell from 10.5 per cent, to 9 per cent, and then to 8.5 per cent.

Earlier official concern at the long decline of the U.S. dollar now appears to have been reflected in positive steps—and in April the dollar, helped by the psychological boost of gold sales, strengthened. Mr. William Miller, the new chairman of the Federal Reserve Board, took a hard line against inflation in his first appearance before the Senate Banking Committee. The Reserve's discount rate moved up to its highest level for three years.

In Britain too the spring has proved a watershed. The earlier euphoria about the country's economic prospects disappeared after the gloomy January trade figures were released and the realisation strengthened that the balance of payments had not been eliminated as a constraint. Since then the Minimum Lending Rate (MLR) has moved upwards from 5 per cent to 9 per cent.

The currency movements and the unrest which has persisted in the exchange markets for the past nine months have brought substantial problems for countries both on the receiving and losing end of the speculative inflows and outflows. Efforts to stem the pressure have included at times heavy official intervention in the exchange markets by the central banks with the stronger currencies and various measures to discourage inflows from abroad. The Swiss in particular introduced a punitive negative interest rate on all new money brought in.

Deficit

In the latter half of last year the difficulties created by the corresponding inflows as the U.S. deficit widened further made for regular efforts by politicians and central bankers to talk up the dollar by emphasising that its decline had gone too far and by underlining the effects it was having on their domestic economies. It also brought, notably in Britain but also in other countries, a decline in the general level of short-term interest rates—a movement in contrast to the increase in the U.S.

In the past couple of months the picture has somewhat changed with the rise of the dollar from mid-April. However, the underlying reason for the decline has not altered. This is the sharp increase in the U.S. trade deficit. Last year it rose to a record \$26.72bn, 4½ times its level in the previous year. The total has tended to increase over the first few months of 1978. A large contribution to the rise has been made by the sharply increased level of oil imports, and the problems of the U.S. administration in gaining acceptance for its energy policy have contributed to international uncertainty.

The attitude of the U.S. authorities towards the dollar and their apparent indifference for most of last year to the effects of its decline on other countries played a key role in the exchange market movements. Initially the U.S. was inclined to regard the fall in the dollar as a useful contribution to correcting the payments imbalances. It was felt that these had arisen partly because the U.S. economy was growing more rapidly than those of other countries which had not followed the U.S. example in trying to sustain world growth.

After June there was growing pressure on the dollar and the dangers of this attitude became increasingly apparent. The market took the view that the Administration was trying to talk the market down and as the decline in the value of the dollar gathered pace later in the year there was a growing chorus of complaint from countries with stronger currencies, particularly Switzerland and West Germany.

The West Germans especially found their export-orientated industries complaining about the effect of the rise in the D-Mark on their ability to compete in world markets. They brought growing pressure on the U.S. through a series of urgent public and private warnings of their responsibilities for ensuring greater stability. The U.S. Administration responded with calls for the West Germans to aim for greater growth and thereby take their share of the responsibility for generating international recovery. Up to now the Germans have resisted all attempts to draw them into such a policy.

The U.S. gradually changed its attitude to the dollar's decline, partially at least because of its failure to influence West German policy. Towards the end of the year it was beginning to argue that the decline in the dollar had gone too far to reflect the underlying economic realities. It was only in early January, however, that positive steps were taken to arrest the decline through the decision to undertake a more active intervention policy, backed by the weight of the international central bank swop arrangements and with the supplementary support of a new agreement with West Germany.

These moves began to bear fruit in April as the dollar recovered against all the major currencies. This upwards movement was reinforced by the announcement on April 19 that the authorities would sell 1.5m oz of gold at monthly auctions over the next six months. At about the same time the Administration took steps to curb inflation, which reached an annual rate of more than 9 per cent in the first quarter. Interest rates were raised as the Fed announced less room for growth in both M1 and M2 from now on. The discount rate was raised this month by 0.5 per cent to 7 per per cent, the highest since early 1975 when it stood at 7.25 per cent.

The recent recovery of the dollar has taken the pressure off the D-mark for the time being. One of the major problems that the D-mark's strength caused over the year concerned the European "snake" joint floating arrangements. The Scandinavian currencies were twice forced to devalue, in April last year and again in August. On this second occasion Sweden dropped out entirely. It also forced Belgium to raise its discount rate twice during December by a total of 3 per cent to 9 per cent to protect its currency in relation to the D-mark. Afterwards the pressure eased and the discount rate now stands at 5.5 per cent.

The impact of the currency movements on interest rates have nowhere been plainer than in the case of the UK. The last year or so has seen the pound strengthen, then weaken, huge inflows followed by worrying falls in the reserves and an MLR falling steadily from the 15 per cent set in the emergency peak of late 1976 to 5 per cent in October and back up to 9 per cent earlier this month.

The main reason for the fall in MLR was the inflows caused by the dollar's fall, combined with new confidence about the UK economy's prospects. In July the Bank of England switched to trying to hold sterling steady against a basket of currencies rather than the dollar—without managing to stem the inflows.

With MLR down at 5 per cent, Britain was forced to abandon the policy of holding the rate down and allowed it to float without intervention. In January the exchange rate climbed to within a whisker of \$2 before worries about the balance of trade and growth in the money supply caused a turnround in sentiment and sterling went into a slow but steady decline. To support the currency the Chancellor announced a 1 per cent increase in MLR to 7.5 per cent in his Budget. This proved insufficient and within a month the rate was raised, first to 8.75 and then 9 per cent.

David Trend

EUROPEAN MONETARY UNION

Signs of fresh initiatives

ARE EUROPEAN governments really serious about launching a fresh attempt at controlling volatile currency movements through a significant integration of their monetary policies at EEC level? Or will the recent discussions of joint measures in these fields turn out to be merely a passing phase, destined to join similar initiatives of the past decade in the graveyard of community history?

These questions have become pertinent since leaders of the nine EEC governments held their European Council meeting in Copenhagen at the start of last month. Their talks were dominated by monetary issues and particularly by the ideas of Herr Helmut Schmidt, the West German Chancellor. He surprised his colleagues by coming out firmly in support of joint action to stabilise currencies and by indicating that he was prepared to consider backing such a scheme through a substantial transfer of Germany's reserves.

What Herr Schmidt appears to have in mind is the creation of an EEC currency "zone," in which newly defined links between national currencies would enable the Community better to withstand the disruptive effects of inflows of "hot" money from other parts of the world. The plan would involve setting fluctuation margins for currencies like sterling and the French franc, which at present float freely, and backing them with foreign exchange market intervention by a new central reserve authority.

Herr Schmidt clearly believes it important that any new scheme should leave intact what remains of the "snake," the joint floating arrangement which includes Germany, the Benelux countries, Denmark and Norway. Other EEC countries would not be required to observe the rigorous disciplines which the "snake" imposes on its members, and a "crawling peg" mechanism could be devised to permit limited currency depreciation by those countries suffering from above-average inflation rates.

The links between the participants would be defined not in terms of each others' currencies but of the European Unit of Account, which is based on a weighted "basket" of all EEC currencies and is therefore less prone to violent fluctuations. The aim would be to give the Unit of Account, which is at present little more than a technical accounting unit, an expanded role as a medium of settlement between EEC central banks.

Herr Schmidt's thinking on these questions appears to be close to that of President Giscard d'Estaing of France, who has argued that its internal currency problems are a major reason why the Community has failed to match the recent economic growth rates of the U.S. and Japan. It has also been favourably received by most of the smaller EEC countries and by Mr. Roy Jenkins, President of the European Commission, who has been urging governments since last autumn to revive plans for a monetary union.

It is still not entirely clear what prompted Herr Schmidt to adopt a new tack, reversing the decidedly negative attitude which Bonn has displayed in the past towards EEC attempts to promote closer monetary integration. The most widely held view is that he has grown increasingly impatient with the Carter Administration's refusal to recognise the problems caused in the rest of the world by the decline of the dollar or to take any effective remedial action. As concern about competitive consequences for German exports mounted, he grew tired of waiting for Washington to act and began examining seriously what the EEC could do on its own.

Not everyone is convinced, however, that this is the full explanation. The British Government's response to his ideas has been decidedly cool, and it has made little effort to disguise its immediate suspicion that they could turn out to be little more than a diversionary manoeuvre.

The UK also doubts about the value of an independent EEC initiative in tackling currency instability. It believes that the root of the problem lies in the current imbalance in the triangular relationship between the dollar, the D-mark and the Yen. In the British view the only durable solution is likely to lie in a comprehensive approach which would deal directly with the dollar's reserve currency role. This analysis militates in favour of a broader, multilateral effort, concentrated principally on discussions within the International Monetary Fund.

As is often the case in matters where increased EEC integration is concerned, Britain's view is also tinged by considerations of national sovereignty. There remains a strong aversion at senior levels of the UK Treasury to any scheme which would effectively transfer a significant measure of national control over monetary and exchange rate policies to a central body whose precise form and functions have in any case still to be defined.

Chancellor Schmidt tried to allay some of these reservations when he visited London late last month. He went out of his way in particular to stress that his ideas were not intended as hostile to the U.S. and could complement any future measures decided by Washington.

While the differences between the British and German positions appear to have been narrowed, it is not yet clear whether there is sufficient agreement to allow useful work to begin at a more technical level on the details of an EEC currency scheme. In any case the timetable for further consultations, and the form which these should take, remain uncertain and rather confused.

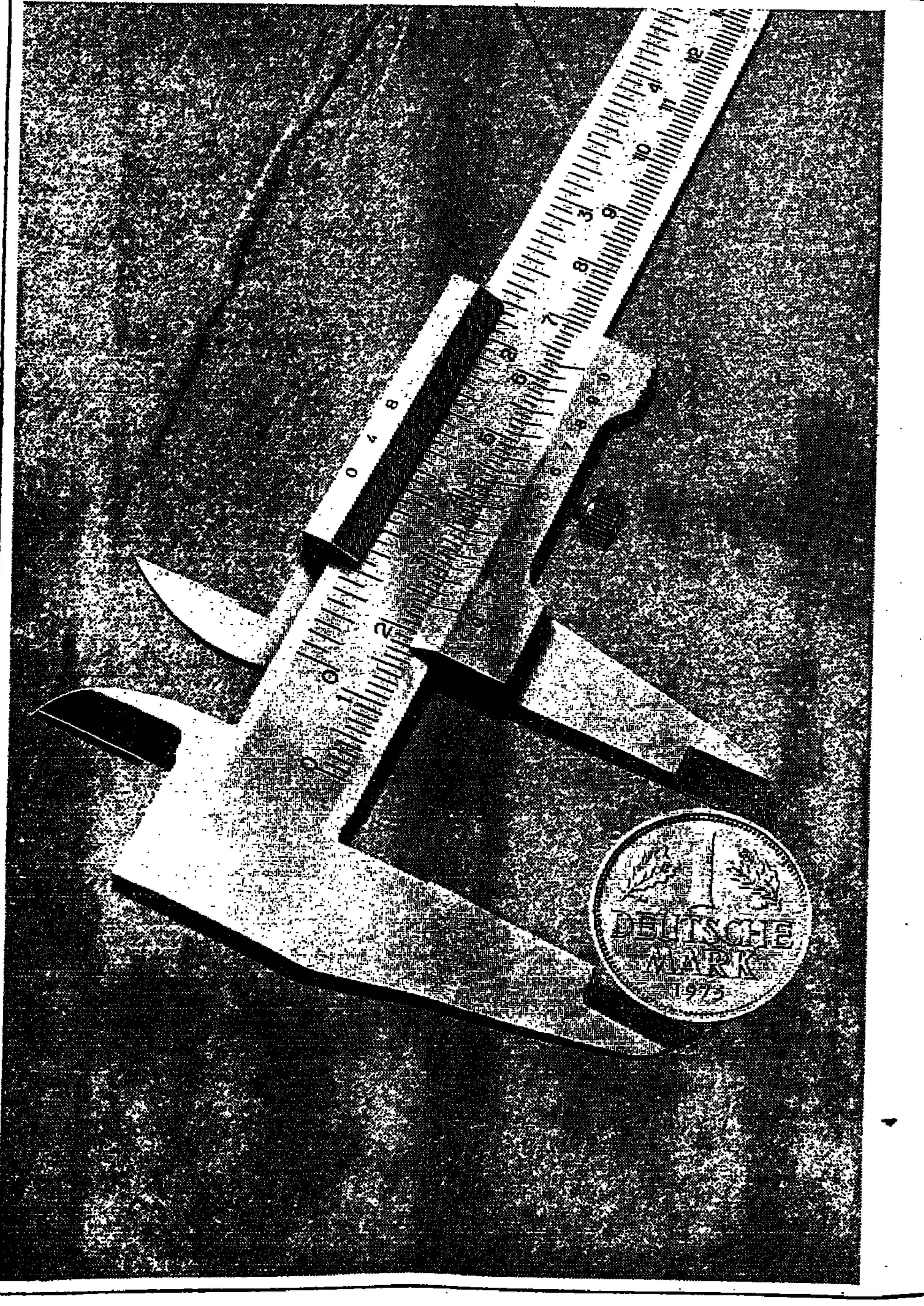
Hopes

Immediately after the Copenhagen meeting there had been hopes in some quarters that the EEC could draw up the main elements of a currency scheme in time to present it as part of its contribution to a broad package of economic measures which, it is hoped, will be endorsed by the seven-nation Western Summit to be held in mid-July. But with less than two months to go it looks increasingly unlikely that this deadline can be met.

Part of the problem is that the heads of government conducted their discussions in Copenhagen amid unusually strict secrecy and failed to reach any firm conclusions on how next to proceed. Even their Finance Ministers encountered some difficulty in discovering exactly what went on and have been unable as a result to discuss the matter among themselves in any depth at EEC Council meetings. The only EEC forums in which ideas have been exchanged at all fully on the issue since Copenhagen have been the committees of monetary officials and central bank governors, which are technically highly qualified but lack a clear political mandate to shape their deliberations.

Meanwhile the dollar has recovered strongly in response to a more restrictive monetary stance by the U.S. authorities, as well as to the American decision to resume gold sales. If this tendency continues it will relieve a number of the immediate pressures on the world monetary system and alleviate some of West Germany's concern about its export competitiveness.

Guy de Jonquieres
Common Market Correspondent



REGULATIONS

Tighter control in the offing

The costs of the fringe bank crisis in Britain in 1973-74 cannot yet be counted in full, and its aftermath in the shape of the lifeboat support group has turned out to last much longer than was originally expected. In its recent evidence to the Wilson Committee on the financial institutions, however, the Bank of England made perfectly clear its firm belief that the damage would have been far greater if the decision to launch the lifeboat had not been made.

Whatever the ultimate losses may turn out to be, the Bank argued, "they will be far less than those that would have been sustained by the support group and the economy at large had the support operations not been undertaken." The action which was taken by the Bank together with the big clearing banks to shore up the system was needed in order to avoid "a widening circle of collapse through the contagion of fear."

The Bank's paper also made it clear how much the crisis, which had begun as a liquidity problem in a few of the secondary deposit-taking institutions in the UK, spread in the later stages to become international. The increasing malaise in the banking world extended to the Continent and to the U.S. during the course of 1974. In June of that year, "the international financial community, already aware of trouble at Franklin National Bank in New York, was shaken by the sudden closure of Bankhaus Herstatt as a result of massive foreign exchange losses."

At that stage, the Bank pointed out, there had always been warning signs. A number of small German private banks had failed earlier in the year, and the Westdeutsche Landesbank and Union Bank of Switzerland had suffered substantial foreign exchange losses. Following these events, international bankers reacted in a way rather similar to the response of the UK institutions at the end of 1973, by withdrawing or sharply reducing their lending lines to smaller banks. In July a further problem arose when the Israel British Bank of Tel Aviv failed, together with its wholly-owned London subsidiary. And in September Lloyds Bank had to announce that it had lost £33m. as a result of unauthorised foreign exchange dealings in its Lugano branch.

Going back over these traumatic events serves as a sharp reminder of just how close the international banking community as well as the domestic banks in the UK came to suffering a total crisis of confidence. It also underlines the weaknesses which existed in the arrangements then in force for supervising the banking system. In the UK there was a special problem in the gaps in the regulatory mechanism which allowed the rapid growth of the secondary banks.

These initially grew up in the period before 1971 when the ability of the big established banks to lend to their customers was severely limited by the official credit controls. When the clearing banks were freed to expand their lending with the introduction of the policy of competition and credit control, the U.K. authorities hoped that the result would be to lead to a gradual shrinkage of the fringe.

The fact that this did not happen was mainly because of the particular economic circumstances of the time, with an easy monetary policy designed to encourage growth and with the property market boom providing a tempting outlet for funds. At the same time the confusion which existed in the public mind over the various types of banking recognition enabled a number of institutions which were regarded as banks only for the very limited purposes of section 123 of the 1967 Companies Act, and were not subject to the supervision of the Bank, to give the impression that they were genuine banking organisations.

Much has been done since then to clear up the problems exposed by the fringe banking crisis in the UK, and the experiences of that period have led to a tightening of controls and regulation not only in the UK but in nearly every other country.

The next major step will come when the Government gets around to putting into effect the planned legislation on the supervision of deposit-taking institutions in the UK. The outline of the new rules was first set out in a White Paper as long ago as August 1976, but the combination of the need to discuss the details of the new arrangements with the banking industry and the shortage of Parliamentary time has produced some delays in bringing the plan to fruition.

At the end of last year Mr. Denzil Davies, Minister of State at the Treasury, indicated that legislation would be introduced as soon as Parliamentary time permitted, and since then further progress has been made in sorting out some of the details, particularly in relation to the proposals to set up a deposit protection fund.

This has been by far the most controversial element of the proposals. The authorities have consistently maintained that a fund to ensure the safety of small depositors was an essential element in the improved regulatory system. The clearing banks have argued throughout that they do not themselves need this kind of protection and fail to see why they should contribute the bulk of a fund which would effectively support their smaller competitors.

It is plain, however, that the fund would fail to carry the necessary credibility unless the clearers contributed. And it has become clear that the pattern of the fund is likely to include a number of features. It would insure deposits from any one depositor in a bank or deposit-taking institution up to the first £10,000, though in order to keep some incentive for depositors to exercise some judgment in placing their money the cover would extend to only 75 per cent of their deposit.

Ceiling

All banks and deposit-taking institutions would contribute to the fund, which is expected to total some £5-£6m, with contributions in relation to the size of total deposits but with a ceiling of £300,000 on the first call—which would have the effect of limiting the proportionate participation of the big banks.

Other than this point, the proposals are essentially non-controversial, with the exception of the worries which have been expressed by the finance houses over the possible impact on their business of no longer being able to call themselves banks. But the effect of the new legislation will nevertheless represent a major break-through for the UK. It will confirm the overall responsibility of the Bank for the supervision of all banks and deposit-taking institutions, thus building into the legislation a principle which avoids the divided responsibilities which contribute to the fringe bank problem.

It will make a clear distinction between those institutions which are regarded as banks in the full sense and those which are only deposit-taking institutions, and will limit strictly the use of the name bank and its derivatives. And it will for the first time set up in the UK a formal system of licensing for all deposit-taking institutions.

As well as serving as a response to the recent problems, the new legislation will also fulfil one of the obligations of the UK under its membership of the European Community. Efforts to bring together the various arrangements for banking supervision within the EEC have had a rather chequered path, with the initial dirigiste approach attracting a lot of criticism. This has now been replaced by a different method of dealing with the problem which attempts to do no more than to set a framework within which each country can establish its own supervisory system according to its individual preferences.

The aim is to co-ordinate the systems of banking supervision only to the minimum extent needed to allow free competition for business throughout the Community, requiring certain elements such as licensing, liquidity and solvency control and the provision of information but avoiding the earlier specific and complex instructions. Perhaps most important, the new concept provides, in line with the general developments of the past few years, for co-operation between the authorities of the various countries.

Within this framework, therefore, there will be scope both for those authorities which, as in some Continental countries, prefer to operate a rigid system of control ratios and for those such as the Bank of England which want to retain as much as possible of their traditional flexibility in dealing with the banks.

Michael Blanden

GOLD

The market and the price

THE PRICE of gold has stood up in the open market remarkably well recently in the face of events which would normally be expected to have a substantial depressing effect. These have included first the news in April that as part of its measures to help stabilise the dollar in the exchange markets the U.S. Administration intend to renew sales of the metal from its official stocks. This move was followed quickly by the announcement that India intended to undertake official gold sales, on a larger scale than the U.S. but for domestic consumption only, mainly in an effort to cut down the volume of smuggling into the country.

The gold market reacted to these problems in the predictable way, but the price has recovered quickly. The consensus of views was that in spite of the further burden of official sales the level of demand for all purposes—including industrial uses, hoarding and speculative investments—would be sufficient to absorb the extra supply. The price, which had dropped to around $168 an ounce in the immediate response, picked up to around $174 by early this month.

This was still some way from the year's peak level of $189½ an ounce recorded in early March, a price not so far short of the all-time records reached in the euphoric conditions which ruled at the end of 1974 when the market was looking forward to substantial U.S. buying. The reaction suggests that the market has now learned to live with the regular sales of gold by the International Monetary Fund and other official sources and has reached a state of reasonable stability.

The recent events also underline, however, the special character of the gold market. The U.S. gold sales again highlight the determination of that country to move towards the complete demonetisation of the metal and to create a situation in which it can be dealt in as a commodity just like any other. Further important official moves have been made in that direction this year.

The changes in the International Monetary Fund articles of association agreed in 1975 were finally ratified. The two main features of the amendments were to abolish the official price—artificially low at $42 an ounce and thus purely theoretical—and to free central banks to buy and sell in the open market. Previously, under an interim arrangements which ended in January, central banks had agreed to a restriction which meant that they could sell but not buy in the market.

The U.S. Administration was satisfied that though some European countries remained more wedded to gold than they would like, the central banks had accepted the new rules of

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Era of intense competition

IT HAS been a testing year for the international banking community. Once again a large bank, Credit Suisse, and a not-so-large bank, Banque Leclerc, proved that it is still possible to lose large amounts of money despite all the supposed safeguards. The spectacular resignation of Ludwig Poullain from Westdeutsche Landesbank proved that even international bankers are not infallible and Citibank finally proved that the profits of a successful international bank can go down as well as up.

However, what really characterised 1977 for the international banking community was the competition. The biggest bank in the world, Bank of America, summed it up beautifully in its annual report: "The strong growth of foreign loans in 1977 occurred in an environment of intense competition from U.S. and foreign banks, particularly for the highest quality borrowers. This competition resulted in a severe erosion of pricing margins and generally longer maturities in the market."

Bank of America's foreign loans rose by 16 per cent last year while its domestic commercial and industrial loans rose by less than 1 per cent. For its main rival, Citibank, the gap was even more accentuated. Its overseas loans rose by 26 per cent while its domestic commercial loans fell by 6 per cent. Most international banks have been pushing their overseas business, although international loan demand was far from buoyant.

For one thing, the economic background has not been encouraging. World trade, which had fallen by 4½ per cent in 1975 and grown by 11½ per cent in 1976, tailed off dramatically. Estimates suggest that it grew by no more than 3 per cent last year and most of the major economies missed their growth targets despite reflationary packages. The U.S. was the odd man out, but even though its economy was motoring along, loan demand, at the big U.S. money centre banks at least, was decidedly sluggish.

Faced with slack domestic loan demand, international banks turned their attention to boosting their international footings. But these days one bank's foreign loan normally replaces another bank's domestic loan. The European banks have been making a big effort to build up their market share in North America, while over in Europe, American banks have been undercutting the local banks. In Britain, in particular, the U.S. banks have been able to build up their market share at the expense of the clearing banks. But most banks are finding that it is not very profitable business.

For the time being at least the heady growth in international banking profits, which lured so many banks overseas, has disappeared. The Americans were the first to spot the fact that international banking provided an easy way of maintaining impressive profits growth once their domestic business started to stagnate but now that the European and Japanese banks are in on the game in a big way a lot of the fun (and profit) has gone out of international banking.

The figures on medium-term bank lending indicate that despite the depressed state of the world economy in 1977 a considerable amount of new business was transacted. For the second year running medium-term bank credits to industrialised countries grew by over 50 per cent and for the third year running loans to developing countries accounted for the largest part of the new lending business.

But while the volume was there the margins were certainly not. Dr. Henry Wallich, the member of the Board of Governors of the Federal Reserve system who keeps an eye on international banking, highlighted his concern during a speech at the FT Euromarkets conference earlier this month. "First and foremost, the subject to worry about today in the syndicated loan market is spreads." According to Dr. Wallich margins over costs of funds of below 1 per cent are very difficult to justify. "A spread of 0.75 per cent does not even cover the cost of capital of even a very modestly capitalised bank, plus a reasonable return on risk premium." At the moment there are a growing number of borrowers able to raise funds at a spread of ⅝ per cent and an increasing number of first time borrowers such as Botswana and Mauritania are beating a path to the market.

Healthier

Fortunately, for the international banking community their overseas loan loss record remains far healthier than their domestic experience. At Citibank, for instance, net loan losses as a percentage of average international loans were 0.32 per cent last year (down from 0.55 per cent in 1976) compared with a figure of 1.02 per cent for domestic commercial loans. The repercussions of the 1975-76 property debacle are now tapering off, although in individual countries such as South Africa and Australia, banks are still making some provisions. Citicorp, for example, lost $29m in Australia and Barclays' South African operation had to make provisions for local property bad debts. But generally, banks have not had to make special provisions for their international clients.

Despite the appalling state of some of the world's major basic industries such as steel, chemicals and particularly shipping, the banks appear to have escaped virtually unscathed. Part of the explanation is that much of their lending is government-guaranteed in some way or another.

The shipping industry is a good example. Even though there is a tremendous surplus of tonnage and freight rates often do not cover operating costs, the banks have not been forced to write off much of their debt as yet. Part of it is government-guaranteed shipbuilding credit and where companies have got into deep financial trouble, such as in Scandinavia, the Government has stepped in with extra support in the form of Norwegian Guarantee Institute to guarantee the banks' loans. Even the UK authorities are prepared to grant deferments on capital repayments for some UK shipping companies.

While international banks have been involved in a considerable amount of sovereign risk financing probably the most competitive market which most big banks have set their sights on is the prestigious group of multinational companies (MNCs). As a group these companies have around $300bn of debt outstanding and during the 1970s their growth rate has outstripped their domestic economies by a factor of three to five times.

Because of their rapid growth and increasing appetite for bank debt, this type of company tends to change its bank relatively frequently. According to a survey in Fortune magazine 82 per cent of the top 500 companies had changed their banking relationship in the previous nine years. This sort of mobility keeps international bankers on their toes.

Most big international banks—i.e., the 50 odd institutions with assets of over $15bn—have been giving considerable thought as to how to best service this market. Whereas any banker can hop on a plane and sign a balance of payments loan, the banking relationship with a big multinational client tends to be far more complicated.

To be effective banks need a local presence in most of the countries in which the client company is operating. In addition, the local presence needs to be more than a listening post. It needs to offer the full range of services which a big company might need.

This sort of thinking has dictated the overseas expansion of the big banks over the last few years. Most of them have been establishing a base in all the major money centres. The U.S. banks were the first to move but now virtually every big bank has followed. One of the last in the field was Midland Bank. In the past it relied heavily on correspondent relationships and its links with other European banks through the Ebic banking club. This arrangement has advantages in that it does not involve much capital outlay but the disadvantage is that a bank loses contact with its multinational customers when they move into other markets. Consequently, Midland has opened a full branch in Tokyo, a subsidiary in France and is committed to extending its representation overseas.

Effort

Since the majority of the big multinational companies are headquartered in North America, the big European and Japanese banks have been putting a lot of effort into building up their U.S. representation. Since the start of the year there have been two major bids for American banks, Hongkong and Shanghai for Marine Midland and National Westminster for the National Bank of North America.

Foreign banks have tried to grow organically in America but this is a slow process and a number of them are now coming round to accepting that they are only going to establish an effective foothold in America via acquisition. However, the price is high as National Westminster is realising. It plans to pay a premium of 60 per cent, over net worth.

William Hall

GOLD

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MARKET SUPPLIES AND OFFTAKE

(Estimates in tonnes)

Supplies		Offtake	
New Production	967	North America	220
Soviet Union Sales	340	Europe	570
Sales by IMF	188	Middle East	370
Sales by Monetary Authorities	155	Far East	225
		Other Areas	80
		Official Purchases	60
		Investors and Speculators	125
	1,650		1,650

Source: Samuel Montagu

the game and would not attempt to manage the market; they could therefore be left free to deal. Nevertheless, the importance of official sales in helping to determine the market price demonstrates exactly why gold is not a commodity like any other. The market is always potentially dominated by existing stocks. World official holdings are reckoned to total around 1bn. ounces, or nearly 50 years' production at recent rates, while on top of these there is an unknown but probably equally sizeable amount in private investment holdings.

The ability of the market to absorb the official sales is therefore a significant pointer to the relative buoyancy of the demand. The IMF auctions have been bringing around 525,000 ounces to the market each month. The U.S. plans to sell 1.8m. ounces in a series of six-monthly auctions, the first of which takes place tomorrow and may consider further sales after that. India, meanwhile, for rather different motives, is expected to unload a total of 2.24m ounces to meet internal demand and to discourage the smuggling which is made attractive by the country's high internal price resulting from the ban on imports.

The aim of the U.S. plan was essentially related to the need to stabilise the foreign exchange markets after a period of some months in which the dollar had been under consistent pressure. In itself the amount which will be raised by the sales is modest in relation to the country's balance of payments deficit. But the gesture, it was argued, would help the dollar and act as a symbol of the Administration's determination to do something about the deficit, while fitting in nicely with the aim of cooling speculation in the gold market and with the long-term policy of demonetising the metal.

The weakness of the dollar was beyond doubt the main factor which encouraged the rise in the price of gold during last year. The metal again acted in its traditional role as an outlet for investment funds in a period when the exchange markets were in a state of uncertainty and occasional turmoil; but since the price is normally expressed in dollars it somewhat exaggerates the movements in relation to other stronger currencies. Over last year as a whole the average price worked out at $147.71 an ounce, ranging between a low point of $129.40 in January 1977 and a peak of $166.15 in November.

The average represented an increase of some 18 per cent. over the comparable figure for 1976. Because of the depreciation of the dollar, however, the price in terms of some of the stronger currencies such as the Deutschemark and the Swiss franc showed an increase of only some 10 per cent. It is noticeable that on this basis, taking the Swiss franc for example as a measure of underlying value, the gold price has remained on the whole remarkably stable over the past few years.

One result of the weakness of the dollar, and the factor which was identified by bullion dealers Samuel Montagu as perhaps the single most important feature of the market last year, was a substantial increase in activity on the futures exchanges in the U.S. The market there has taken some time to exert the influence expected, after the initial disappointment in 1975 when the U.S. public did not respond well to its freedom to buy the metal. But the influence of U.S. activity became quite significant during the second half of last year—indicating, Montagu suggested, that "gold had finally been accepted there as a commodity to be traded actively."

Related

This activity and the growth of demand elsewhere was closely related to the periods of weakness of the dollar. After a fairly quiet start to the year, demand for gold began to exert a marked influence as early as February. Late in that month the price had risen to $140 an ounce, and as this was equal to the highest levels reached in 1976 it was thought that there might be some resistance to further increases. However, the price moved up to around $148 in March before any significant reaction occurred, and even at that time a considerable proportion of the interest was coming from the U.S. futures markets.

After a reaction, the rise was resumed to reach the $153 level in late March. There was then a setback on suggestions that the U.S. could renew official sales, followed by a fairly quiet period. But there was persistent demand for hoarding purposes, particularly from the Middle East markets which appeared to be supporting the price at around $145. However, the price slipped below this level in May, and in mid-June it dropped to $137.10, not far above the first quotation of the year.

The price remained relatively depressed for a period. But in the middle of July, the weakness of the dollar began to manifest itself in a considerable way. It took some time before this was firmly reflected in the gold price. But there was a steady increase up to early October, when the price reached $155. After some reaction, the market again took off in late October, helped by some encouraging results from the IMF auctions, and in active conditions the price surged up to its peak in mid-November.

This was followed by a sharp fall in the most hectic conditions encountered during the year. But by late December the weakness of the dollar again began to be reflected in the gold price, which reached $166 an ounce. This influence has continued into the present year: but circumstances have changed in the last couple of months.

The prospect may be, therefore, for rather less turmoil in the exchange markets surrounding the dollar, though there may well be further periods of uncertainty and unrest over currencies which will again influence the gold price. Meanwhile, however, the market has taken the changed circumstances quite well.

Michael Blanden

London remains a powerful magnet

JUDGING BY the steady stream of foreign banks that continue to beat a path to London, the City's role as the world's major international financial centre continues to be a powerful magnet.

Last year a new foreign bank opened roughly once every fortnight. According to The Banker's annual review of foreign banks, 28 foreign banks hung up their nameplates in the City last year, plus four new consortium banks. Among the newcomers were some very well known names such as Holland's Amro Bank and West Germany's Bayerische Vereinsbank, plus some not so well known names such as Turkey's Yapi Ve Kredi Bankasi and South Korea's Cho-Heung Bank. At the time of its last roll-call The Banker counted 285 foreign banks directly represented in the City, and another 73 banks represented through some 37 consortium banks. The number of banks in the City has more than trebled in the last decade, and roughly twice as many foreign banks are now represented in London as in New York, its major rival.

London is still the dominant Eurocurrency centre, transacting just over a third of the business, and this clearly remains one of its major attractions for a foreign bank. As a group they control £98bn of foreign currency deposits in London—four fifths of the total. The London branches of U.S. banks alone, have foreign currency deposits of £42.4bn, which is roughly eight times the size of the London clearing banks' foreign currency books.

The importance of London as a major banking centre is underlined by the fact that all but 13 of the world's top 100 banks are directly represented in the City. In addition, eight of the 13 absentees do have a presence in London through a shareholding in a consortium bank. According to The Banker over 23,000 people are employed by foreign banks, and they pay a considerable amount of tax and rates. In its recent evidence to the Wilson Committee, the Committee of London Clearing Bankers reckoned that the invisible earnings of the London-based international banking community is about £800m. per annum.

Aggressive

While the City's attractions as an international financial centre have been well rehearsed it is generally accepted that by normal banking criteria, the City is hopelessly over-banked. Competition for new business is exceptionally aggressive, as the London clearing banks learnt last year. When U.K. interest rates plummeted from 15 per cent to 5 per cent during 1976-77, the big clearing banks had to face up to the fact that they were either going to lose money on their domestic clearing bank operations or they were going to lose business.

They opted for the latter course. As money market rates declined, base rates lagged behind, and for much of last year they were out of line with competing rates. Big corporate clients soon found that they were able to borrow more cheaply from the foreign banks, in particular the American banks, which drew their money from the highly liquid wholesale money markets. The situation was aggravated by the fact that British industry was flush with funds and demand for bank borrowing was unusually low. Consequently, the foreign banks accounted for well over a fifth of all new sterling lending in the year to March, 1978, even though they account for less than a sixth of the market normally. Whereas the London clearing banks increased their sterling advances by £2.3bn. the foreign banks loaned very nearly £1bn. Compared with the accepting houses, which only managed to lend an extra £90m., the foreign banks have obviously found an important niche for themselves. In certain industries they are especially important. As a group they lend twice as much money to the U.K. chemical industry as do the London clearing banks, and they lend virtually as much as the clearers to the food, drink and tobacco industries.

With interest rates once again rising the clearing banks are obviously well placed to win back some of this business, since they have the advantage of a relatively large and stable current account base. However, the foreign banks have been prepared to undercut the clearing banks, using cheap loans as a loss leader, so that they can build up their client relationships. Once they have a foot in the door they can then cross-sell their other more profitable services and this is what worries the clearing banks. One or two, in particular the Midland Bank, have been counter-attacking and reportedly securing new corporate lending business on very fine terms, which some of the foreign banks would even find hard to justify.

The battle for UK corporate clients has been intensified by the UK authorities' decision to switch a large part of their Export Credit Guarantee Department (ECGD) buyer credit financing on to a foreign currency basis. This used to be confined to sterling and was the special and profitable preserve of the UK clearing and merchant banks. However, under the new rules foreign banks are now allowed to compete for the new business, and since the American banks have a natural dollar base they are well placed to take advantage of the scheme.

Since the international banking market has been highly competitive with low loan demand and pressure on spreads, clearly foreign banks in the City have been under special pressure to build up their UK domestic business. A number of the larger banks have now expanded into the provinces and up into Scotland. The Scottish banks because of their smaller size are probably feeling the competition more acutely than the big UK clearing banks. In his oral evidence to the Wilson Committee, A. R. Macmillan, chief general manager of the Clydesdale Bank, commented "American, Pakistani . . . you name it, we have got it in Scotland." With $7.5bn of assets, the UK operation of Citibank, for example, is probably larger than the combined operations of Royal Bank of Scotland and the Bank of Scotland, and is obviously well placed to poach UK clients from the smaller UK banks.

Although the foreign banks have increased their penetration of the domestic UK market over the last few years they are more cautious than they were. A number of them were hard hit by the UK fringe bank and property crisis, and nowadays it is very much a case of once bitten twice shy. Head offices now exert much tighter control over their London branches. For most banks their raison d'etre in London is still their Eurocurrency business—this is what they are good at.

Unfortunately London's central position in this field is under attack. The city's natural advantages, such as language, climate, good staff, communications and geographical position have been well rehearsed, but there are disadvantages such as the relatively high rate of inflation and the increasing tax burden. Business which had once come to London is now going to other centres. In Europe both Paris and Luxembourg are competitors, and, although they are nowhere near as large in Eurocurrency terms, they do pose a threat.

Further down the line New York's embryonic plan to establish an offshore banking enclave could divert a significant amount of business away from London. There are still a number of bridges to be crossed before the plan is put into action, of which far and away the most difficult will be the Federal Reserve's reservations; nevertheless the plan is well advanced.

U.S. BANKS' OFFSHORE BUSINESS ($bn)

	1969	1970	1971	1972	1973	1974	1975	1976	1977*
UK	24.1	28.4	34.5	43.7	61.7	69.8	74.9	81.5	90.5
Bahamas†	3.0	4.8	8.5	13.1	23.8	31.7	45.2	66.8	76.0
Other	9.3	14.2	18.2	23.2	36.4	50.4	56.4	71.1	80.9
Total	36.4	47.4	61.2	80.0	121.9	151.9	176.5	219.4	247.0

* October. † And Cayman Islands.

Offshore

Since 1970 the offshore business of U.S. banks booked in the Bahamas and the Cayman Islands has jumped from under $5bn. to close to $80bn. and this is the business which the New York authorities hope to lure back. However, the UK business ($90bn) is also likely to be affected. If U.S. banks find that they can book their offshore loans from their head office there is less need to maintain a large and expensive duplicate operation in London.

Only time will tell whether the New York scheme will pose a threat to London's pivotal role in the Euromarkets, but it should not be underestimated. International banks and their staffs are very mobile, and although U.S. bankers may prefer working and living in London to New York, the balance in favour of the City could shift if personal tax rates, for example, became more onerous or the City's rate burden increases still further.

If the number of new banks opening offices is any guide the City's foreign banking community is flourishing, but there is no denying that the proportion of international business booked in London has ben steadily declining over the last few year. Apart from the taxes and employment aspect, the foreign banks have played a major role in the development of the City's international reputation.

They have often introduced new ideas. The concept of medium term lending was imported by the American banks and, after some initial hesitation, adopted by the UK clearing banks for their domestic customers. Similarly, certificates of deposit and currency swaps. UK banks might rue the aggressive competition of the foreign banks but they have learned a lot from the foreigners and the City's international reputation has benefited accordingly.

William Hall

C.TY OF LONDON

Advantages continue to be exploited

FOR ALL the rivalry of foreign financial centres—a number of kites are being flown at present, for instance, about the development of New York as a possible "offshore" banking zone—the City of London remains firmly established as the key centre for international finance.

The City's emphasis shifts from time to time. These days, for example, it is the insurance industry which brings in the largest revenues, rather than banking, or indeed than the stock market which in recent times has played a much more domestic role than in its days of international prominence—now long past.

Clues to relative prosperity can be found in property rental values, which continue to be much higher for offices in the City than in London's West End. And within the City the highest rents are to be found in the streets immediately surrounding Lloyd's, where brokers and underwriters agencies clamour for space. In this sense the grey mass of the Bank of England no longer marks the area of greatest importance within the City.

Whatever the current trends within the Square Mile, however, the City continues to exploit the advantages which have stood it in good stead for centuries. And it has managed to add some very modern virtues to its traditional ones.

A stable political background must be a key factor in the City's appeal to international traders and financiers. Britain has no history of violent revolution, and there is no prospect of really hostile governments coming to power—as there has recently, for instance, in France and Italy.

The British legal system is highly developed, and less expensive than, say, the American alternative. Within the City there is a very long tradition of international orientation. And there is the intangible but crucial factor of fair business practice. While it is never wise to be complacent on this score, a reputation for integrity clearly counts for a great deal when standards of business ethics around the world are the subject of increasing debate.

Language

In the modern era other advantages have helped the City. With the growing economic and financial power of the U.S. the English language has become commercially even more important. Geographically, too, London is well placed close to other European centres, and comparatively easily accessible by air from the U.S. and the increasingly important Middle East countries. The time zone is such that only the Far East financial centres pose problems in the maintenance of telephone contact.

In terms of operating economics, London also has advantages. Rents are high, but in comparison with rival centres like Frankfurt and Zurich labour is very cheap, partly reflecting the long-term weakness of sterling. Moreover the personal appeal of London to the mobile international executive tends to be quite high, in terms of the quality of life obtainable by somebody who, perhaps, is not quite so constrained by the U.K. tax system as a native would be.

The regulatory framework has also been important. The Bank of England has maintained a very flexible approach in the banking market, which has encouraged the emergence of the City as the leading Eurocurrency centre. A similar pragmatic approach has marked the insurance sector, with, for instance, a relaxation of currency controls in the wake of increased volatility on the foreign exchanges.

It is significant that where UK regulations have been tight and inflexible by international standards—as in the controls relating to the export of investment capital—the story has been very different. Unlike the banking and insurance markets, the stock market has tended to shrink—at least in terms of numbers employed—and its international role as an intermediary in sectors like Kaffir shares has tended to be lost to other centres, notably New York.

Hated

Hopes were fairly high in the City last year that with sterling beginning a new era of strength on the back of the North Sea oil boom, the investment currency regulations would be progressively abandoned, as indeed is required by Common Market principles. The hated 25 per cent, surrender rule was in fact revoked last December. But with sterling again turning weak there now seems little hope of more radical concessions over the investment currency premium.

The instability of sterling has in fact constituted one of the main handicaps for the City in maintaining and increasing its role in the international financial markets. Foreigners may have seen some benefits in terms of lower operating costs, but the general uncertainties have at times caused serious loss of confidence.

In the long-term sterling has been declining as a reserve currency and as a medium for financing trade. Some 18 months ago UK banks were

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Playing on the world stage

THE NEWS of National Westminster Bank's plans to pay around $300m to buy a majority stake in the New York-based National Bank of North America has recently underlined again the continuing growth and development of the big banks in the business of international banking. For NatWest, the deal will for the first time provide an indigenous retail deposit base through ownership of a dollar bank: it will also give the group a *foothold* in the New York market at a time which could prove vital in view of possible developments including the creation of an offshore banking centre in New York.

The move highlights the marked changes which have been taking place in the character of international banking as an increasing number of banks have gained the experience and self-confidence to undertake extensive world-wide operations in their own right rather than relying on partnerships and relationships with other banks. A similar point is made by the large numbers of foreign banks which are queueing up to set up shop in the City of London.

It is believed that at least 30 banks currently have plans to form a London representative office, or to upgrade their present representation to a full branch operation. The rush into London is being intensified by the pressure to get a share of the international banking business at a time when many national economies remain relatively depressed as well as by the concern of the developing countries to get a foothold in the international eurocurrency markets.

Connections

It is noticeable, moreover, that many of the banks coming to London are relatively small by international standards. Only a few years ago these would have been expected to rely on correspondent relationships with other banks or on more formal connections rather than trying to go it alone.

The need for co-operation and for assistance from other banks in setting up in the international markets was one of the main reasons for the fashion a few years ago for creating consortium banking operations. For many small banks the technique of establishing a joint operation with a number of other banks, usually bringing together several different countries, provided a way of gaining access to the markets on a scale which they would not have been able to undertake individually.

Even for some of the bigger banks, the co-operative type of arrangement had a number of attractions. In Britain, for example, Midland Bank, which traditionally has relied more than most on correspondent connections in providing an international service for its customers, is a strong member of the EBIC European co-operative group and participates in this organisation's extensive range of joint ventures.

Similarly, Barclays, though a major international bank in its own right with a strong inheritance of overseas banking, participates in the Abecor European grouping and its various offshoots. And NatWest itself is a founder member of one of the biggest consortium groups in London, Orion Bank, along with partners including the Chase Manhattan.

Concept

At the time when it was most popular, the concept of consortium banking was designed to meet a real need. Even some of the big banks, including those from the U.S., were relatively inexperienced in the new kind of banking which was developing as a result of the rapid expansion of the Eurocurrency markets, particularly in London. It was different from the type of overseas retail banking familiar to the British banks and from the experience of most banks in domestic business. Co-operation enabled banks to spread the risks and in some cases to bring in established expertise—for example, from the London merchant banks.

The environment has changed now, however, and the old debate has been revived over the rationale of consortium banking. To begin with, some of the consortium banks have not over the long run proved all that profitable an investment for their shareholders. And the shareholders have become increasingly reluctant to share the profits that are made with others.

Many of the shareholding banks have outgrown the need to rely on joint ventures in order to develop their international banking business. They have become quite capable of developing their international activities on their own, and the recent growth of world-wide branch banking provides evidence of the trend towards building up the individual representation required.

Increasingly the shareholding banks have found themselves coming into competition with their offshoots for lending business. This trend has been increased by the growing tendency of the consortium banks themselves to move towards a greater reliance on specialised merchant banking and advisory services to provide them with fee income, in contrast with their earlier emphasis on the straightforward business of building up their medium-term loan books.

One direct result of this has been to create problems for the UK merchant banks which participated in the consortium groups. They have found that the consortia have increasingly been offering the same kind of services to potential clients; and they have found that in some cases their offshoots have outgrown their own parents. The merchant banks operate with relatively modest capital bases, and in a number of cases it has become evident that the commitment involved as a shareholder in a major consortium group can no longer be justified.

Several merchant banks which had contributed their special expertise to consortium groups have been pulling out. Hambros was among the first when it sold out of Western American Bank (Europe)—now further changed under the control of Bank of Tokyo—and Rothschild, Barings, Kleinwort, Benson and Charterhouse Japhet have all at various times moved out of this type of joint venture. The biggest shake-out, however, has taken place among the U.S. banks, with an increasing trend towards their either puling out of consortium operations or taking over full control in order to develop their own in-house international merchant banking capacity.

The outstanding recent example has been provided by Chemical Bank, which bought out the other shareholders in one of London's consortium groups, London Multinational. The shareholders besides Chemical were Credit Suisse, Baring Brothers and another U.S. bank, Northern Trust of Chicago. The former consortium is now being developed as Chemical Bank International.

Two U.S. banks pulled out of Western American, one of the older and larger consortia, to leave control with Bank of Tokyo and National Bank of Detroit. And Bank of America, which in the earlier period undertook extensive joint and co-operative arrangements, has been taking particularly vigorous action to unwind its involvements and to concentrate on its own international merchant banking business.

The numbers of consortium banks in London have as a result been significantly reduced. Given the new climate of banking, it seems unlikely that there will again be a move to set up the older type of consortium group aimed simply at providing a vehicle for participating in the Eurocurrency markets. Nevertheless the consortium concept is likely to continue to have a role which may include a growing trend towards specialisation both among those groups which has been set up with a particular purpose in mind and among the more generalised consortia which are developing their own areas of specialised knowledge.

At present, like the rest of the international banking community, the consortium banks are feeling the effects of the difficult conditions in the banking markets as a high level of liquidity and competition for business bring a renewed squeeze on profit margins on lending business. Some of the banks involved in general lending activities have found it difficult to maintain their profit levels in these circumstances — though others, particularly the specialists in Latin America where margins have until recently remained relatively high and stable, have been able to perform well.

Recent events have tended to underline the diversity rather than the similarity of consortium banks which may have little else in common other than being owned by the group of banking shareholders. A few of the banks, notably Orion and European Banking Company (in the EBIC fold) have developed to the point where their own size and status enables them to stand on their own in the market. They tend to dislike the consortium tag and regard their ownership as irrelevant to their day-to-day business.

In a slightly different category there are several consortium banks with shareholders which are not in the first rank of international banks, and would not be able to set up full international representation of their own. In these cases the consortium fulfils a special role. Another group of banks includes those which have a clearly specialised character, either concentrating like the International Energy Bank on a particular industry, or on a geographical region.

The two Scandinavian groups in London, for example, concentrate much of their energies on that area, and there is a number of banks which have special interests in Latin America. These include Libra Bank, European Brazilian, Euro-Latinamerican and International Mexican. Finally, there is a growing group of banks with Arab connections developing as the oil-rich States make their moves to play a full role in international banking, like the Saudi International group which has the Saudi Arabian Monetary Agency as 50 per cent shareholder.

There may well be further changes among the London-based consortium banks as the new pressures continue to make their effect but the general pattern seems likely to be towards the creation of increasing specialisation as established banks move to make their individual mark on the banking market, underlining the growing diversity of the consortium concept.

Michael Blanden

CITY OF LONDON

CONTINUED FROM PREVIOUS PAGE

barred from financing in sterling trade between foreign countries. To some extent the growth of London as a banking centre has been at the cost of seeing the U.S. banks increase their share of the international market (and even of the UK domestic market).

The sterling crisis of 1976 provided a severe test for the City's status. It caused great problems for financial companies in offsetting the balance sheet impact of currency gyrations (not helped by the Inland Revenue's attempt to claim tax on illusory currency gains of banks). But once again the City appears to have survived with its status largely intact.

There are of course many rivals competing for the City's disproportionate share of international financial markets. In some cases these are sunny offshore tax havens like the Bahamas, which have a certain appeal for tax reasons—not to mention their climatic attractions. On the other hand they lack the social and financial infrastructure that gives the City such a strong appeal, and so long as the UK company tax burden is kept reasonably low such havens are likely to remain only of fringe importance.

Nominally, UK corporation tax is 52 per cent, but this is not especially high compared with rates payable in some of the competitive mainland centres. In many of these, as it happens, companies are liable to extra local taxes. In any case much UK corporation tax can in practice be deferred almost indefinitely through, for instance, leasing schemes whereby the lessor becomes entitled to capital allowances.

Threat

A big threat to London's role in the Eurocurrency market would only come if the Americans took steps to take much of the vast overseas dollar holdings back within their own boundaries, as is indeed from time to time proposed. Arguably the City of London has only grown so important in this sector because the Americans have been too rigidly minded to relax their tight domestic banking regulations in an attempt to attract the footloose Eurodollar deposits.

A current proposal, with exactly this problem in mind, is to establish a monetary-free trade zone in New York (not to mention Los Angeles and Chicago) where certain international transactions would to a large extent be unrestricted and outside the tax net.

Perhaps a more immediate danger is that the weakness of the dollar has already led to a loss of the dollar's share of the Eurobond market relative to, say, the Deutschemark or Swiss franc. The dollar sector is London's strong point thanks to the influence of American banks in the City, and therefore the shift in the currency mix has led to some drift of business to Continental centres like Zurich, Frankfurt and Luxembourg.

Meanwhile the City continues to pull in large amounts of invisible earnings, serving to offset at least part of the visible trade gap which has been a normal feature of the UK economy. Official estimates published by the Central Statistical Office suggest that total net earnings of the financial institutions which make up the City have been on a regularly increasing path in recent years, reaching £1.545bn in 1976.

Of this total the insurance industry—taking the companies, Lloyd's and the brokers together—accounted for £606m, while UK banking institutions earned £408m, twice as much as in 1975. Other notable earners were the commodity markets, generating net earnings of some £200m, and the Baltic Exchange at around the £150m mark.

When they are published later this year, however, the figures for 1977 may not be so impressive. Banks are thought to have earned less in the Eurocurrency markets, for instance, partly because of lower interest rates and narrower and more competitive margins. The Baltic Exchange and the commodity markets will have been adversely affected by the world trade recession. The rise in sterling late in the year will have reduced the sterling value of foreign currency revenues.

Still, even on the basis of slightly lower earnings the City of London will remain a very substantial asset of the country. Some may argue that there are hidden penalties—that the City prospers only by drawing human talen away from the less glamorous manufacturing sector of the economy, which is left to languish. But in a period when employment in manufacturing industry appears to be on the wane world-wide, the City's large share of the international financial services industry looks increasingly valuable.

Barry Riley

Foreign banks given access to U.K. business

OVER THE PAST 18 months Britain's export finance business has been thrown open to the world banking community exposing U.K. clearing and merchant banks to competition for the first time. It is a field which foreign banks and the Americans in particular have been anxious to get into for some time both for the lending business itself and for the access which it can give to more general UK corporate financing

U.K merchant banks have been concerned from the start and there are now signs that the clearers too are becoming increasingly apprehensive about the threatened competition. It is still too early to assess the real impact of the foreign banks—it is after all an unfamiliar and traditionally closed business to get into.

The foreign banks themselves do not expect to become a market force for a year or two. Others predict that within the next year or so they will have picked up about 30 per cent of the business—currently split fairly evenly between the clearers and merchant banks—with the clearers perhaps losing more of their market share than the *merchant banks*

It all began with Chancellor Denis Healey's mini-budget in December 1976 when he announced the Government's decision to switch buyer credit financing out of sterling and into foreign currency. Essentially, this meant that instead of the clearers putting up the necessary finance in sterling, all of which — above a predetermined limit — was refinanced to them by the Government, the necessary funds would be raised by banks on the Euromarket.

For a while there was a good deal of debate as to whether foreign banks should merely participate in the loan syndicates—there was obviously a limit on the amount of dollar financing which the UK clearers could put up—or whether they should also be permitted to arrange the financing — previously the domain of the merchant bankers.

Defined

Initially the field was wide open if confused. But in the autumn of last year, after a good deal of conflicting pressure from both the UK and foreign banking community, the Government defined which banks could lead the financing. It stipulated that only authorised banks which are registered as UK companies could lead the syndicates. Most UK branches of the major foreign banks are authorised banks but few have set up a merchant banking subsidiary.

It also ruled that these registered banks could not extend participation in the syndicate to other banks within the same group unless they too fulfilled the same registration conditions. The stated aim was to put UK and foreign banks on *an equal footing. Foreign banks* participating in export credits would now be subject to the same Bank of England regulations as domestic banks.

While foreign banks generally accept the overall requirements they are unhappy with the stipulation which prohibits them from syndicating "in house." This is a regulation which they consider irrelevant and hope to see dropped in future. Some British banks, on the other hand, fear that if it were they would find themselves excluded from syndicates led by foreign banks. To an extent some claim there have already been instances where syndicates led by U.S. banks have been composed exclusively of American banks.

When they were announced, these new government regulations were generally interpreted as a step backwards for the foreign banks. But in fact it was only the beginning for by the end of the year sterling export credit financing had also been opened to them.

As part of the general review of sterling financing arrangements conducted by the Government, Bank of England and the clearers it was agreed that from April 1 this year all authorised banks registered as companies in the UK would be eligible to undertake sterling export credits.

They would be able to both provide the finance, and thus be eligible for interest rate support and refinancing, and lead the lending syndicates.

At the same time it was agreed that all participating banks would in future take the first five years of the financing on their own books.

Pondering

This meant that the preserve of the clearers as sole providers of sterling funds was now open for the first time to other UK banks such as the Co-op Bank and the merchant banks but also of course, those foreign banks which fulfilled the registration requirements. The amount of sterling available from foreign banks will obviously be limited by the size of their sterling deposit base though it is likely that they will raise sterling in the market. Most foreign banks are still pondering the relevant documentation and procedures—all of which is relatively unfamiliar to them.

So far only one sterling loan has been funded by a non-clearer since the scheme was extended and that was by a UK merchant bank. A £2m. general purpose line of credit was signed between Morgan Grenfell and the Bank of Alexandria in Cairo on April 3 to finance exports of UK capital goods and services to Egypt.

It may well be that the foreign banks will not be as active in sterling finance as they are expected to be in foreign currency financing. The major advantage to them is that the sterling scheme gives them more flexibility, enabling them to offer the British exporter either facility. The banks also regard it as a way of ensuring that they will not be squeezed out of the export credit business *should the British Government* at any time reverse its policy of encouraging foreign currency financing.

Another change which will extend the facilities which foreign (and other) banks will be able to offer British exporters is the imminent decision to extend foreign currency financing to supplier credits with a maturity of two years or more.

To date the foreign banks have not been particularly in evidence. They have been largely content to participate in loans syndicated by UK banks. Of the $1.4bn foreign currency business concluded so far by the Export Credits Guarantee *Department (ECGD) only five* of the 48 loans involved were led by foreign banks — two by Citicorp, two by Manufacturers Hanover and one by Bank of America. But Manufacturers Hanover, for instance, accounted *for over 8 per cent. of total* funds provided and Bank of America for some 3 per cent.

The field continues to be dominated by Lloyds Bank International which led some 25 per cent of the loans signed and accounted for about the same proportion of funds provided. Next in line as lead managers were Barclays Bank International and Morgan Grenfell, each with around 10 per cent of the market, with the former accounting for some 10 per cent of total funds and Morgan Grenfell about 9 per cent.

But this is only to be expected given that the foreign banks have still to build up the necessary expertise and recruit experienced staff. They also have to sell themselves to the British exporters. This they are already doing fairly aggressively but it takes time for this to pay off, even longer for deals which potential customers are currently negotiating to become firm contracts which require financing.

While the U.S. banks have made the biggest showing so far in foreign currency financing a wider selection of banks are showing interest in sterling financing. The American banks are there too, but among those who have made initial approaches to ECGD are Banque Nationale de Paris, Société Générale, Banco Urquijo, Bank Leumi, Banque Belge, Mercantile Bank of Hong Kong, and Moscow Narodny. Some have already decided against getting *involved*, but most are simply investigating fully before committing themselves.

The British Government is clearly happy at the prospect of seeing foreign banks active in export credits, given that it has made this possible in the first place. There are of course restrictions such as those mentioned earlier. Added to this, ECGD is not likely to permit a foreign bank to undertake financing where the borrower has any direct links with the bank involved so that it can be presumed that Moscow Narodny, for instance, would not be able to finance British exports to the Soviet Union.

The Government's decision to *open up the market to foreign* banks was presumably motivated by the need to ensure *adequate supply of funds for* the exporter. As far as the foreign banks themselves are concerned they see UK export *credits as "good solid business"* with a "good risk element." Against this the documentation and procedures are more complex than in normal Euromarket business with more frequent draw down. All of this involves more time and effort, much of which may be wasted if the contractor does not in the end win the contract. In the export credit business the bank is tied to both the contractor (or supplier) and the borrower rather than the borrower alone.

Contact

Even so it is business which the foreign banks are anxious to get into. On one hand it represents a new lending opportunity for them and on the other brings them in closer contact with the UK companies which they hope will lead them to more extensive corporate financing. *In this context they* claim they can offer a wide range of facilities and expertise to the UK company. In the export credits field itself they reckon that the main edge which they have over the UK banks is that they are more prepared to take on 100 per cent of the financing involved. Although export credits will cover as much as 80 to 85 per cent of the UK contract, the down payment, local and other costs can often represent as much as 40 per cent, if not 50 per cent, of the total costs.

This is a claim which is strongly rejected by the U.K. banks, and the merchant banks in particular, who assert that they too offer 100 per cent financing. They concede that some of the large U.S. banks may provide all the financing off their own books whereas they would syndicate the loan, but the net result is exactly the same. The provision of 100 per cent financing has, therefore, never presented a problem.

This is just one area of disagreement between foreign and British banks. The foreign banking community maintains that it is *not aiming* to take business away from UK banks merely to expand the business and there are several UK banks which agree that there *is* plenty of room for them. But while the market will presumably grow, as hopefully U.K. exports expand, the size of the cake is nevertheless limited.

Foreign banks claim that the merchant banks have more to fear from UK clearers who in their view have already taken a sizeable chunk of business from them over the last year or two. The clearers themselves have hitherto presented a calm front to the threatened foreign invasion but are apparently becoming more nervous as they begin to realise that in the longer term they may have more to lose if foreign banks do indeed make inroads into their general-corporate business.

The arguments against the foreign banks are many and varied but mainly prompted by the fear that the U.S. banks in particular may squeeze out the domestic banks. It is felt that they will be able to use their financial muscle to persuade a borrower who may already be heavily committed to a particular bank to use that bank for financing contracts awarded to a UK exporter. It *is also argued that whereas the* UK exporter and UK bank often go out to negotiate the overseas deal together there will not be the same national interest if the bank is a foreign one. Added to this, sister or parent companies of the foreign bank concerned may be advising competitors, so, it is argued, the bank will have little interest in which of these companies wins the contract as long as one of them does. This is refuted by the foreign banks which assert that under these circumstances they operate as an individual bank.

On the nationalist front it is also pointed out that whereas a few other countries do in theory allow foreign banks to undertake export credit business, in practice it is virtually impossible to do more than participate in loans. The Government's move to open up the British market is therefore unprecedented. It also represents a loss to invisible earnings if fees now have to be shared with foreign banks.

Widened

As far as the exporter is concerned, the outlook must be good, if bewildering in the short term. Good because the sources *of funds available to him have* been considerably widened, bewildering because he will undoubtedly be inundated by *promotional material and other* marketing ploys as the banks fight it out. The practical spin-off could be cheaper financing. *As part of the new deal agreed* between the government and the banks the fee structure is no longer rigid. In the past the clearers charged a 1 per cent commission but this is now a matter for negotiation between the banks and their customers. Given the increased competition for the business the exporters should be able to shop around for cheaper financing.

The long-term results of opening up Britain's export credit business are more difficult to predict. The UK banks must surely lose some of their market share but how much will depend on how they react to the new challenge. The government will secure a wider source of funds but lose invisible earnings. The exporter should benefit from the greater choice of banks and more competitive financing but in doing so may lose the advantages of working closely *with UK banks in negotiating* export contracts—a relationship which many admit has often been crucial in winning an overseas order. Only time will tell whether the foreign banks are interested in fostering the same close understanding.

Margaret Hughes

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Looking for modest recovery

THE FRENCH banking community which, only three months ago, was still shivering at the prospect of a left-wing victory at the general election and the complete nationalisation of the financial sector, is now breathing more easily. The victory of the centre-right coalition has not only removed the threat of an extension of state control over the one-third of the banking sector still in private hands, but has produced a much more optimistic business climate. The international economic situation permitting, industrial production and investments should pick up moderately during 1978 and the banks can clearly expect to benefit from the general, if modest, recovery of the economy.

If bankers are not shouting their joy from the rooftops of their palatial establishments, this is not due entirely to the traditional reticence of their profession. Having slain the dragon of nationalisation, they still find the road blocked by the monster of credit controls which, what is more, have been imposed upon them for the past six years by a government firmly wed to a free market economy.

To add insult to injury, as far as the bankers are concerned, M. Raymond Barre, the Prime Minister, has agreed to free industrial prices progressively while still keeping a tight rein on the services sector. In the monetary and financial field this means in practice that the growth of the money supply will be restricted to 12 per cent in 1978 and that the ceilings on the expansion of bank credits will remain in force for the foreseeable future.

There are, of course, very good reasons behind M. Barre's policies. Like any other manager of a national economy, he is walking a tight-rope. Having decided to provide a little more oxygen for industry, which has been suffering from reduced profit margins and depleted treasuries, the Prime Minister must be careful that what he hopes will be only a temporary new twist to the inflationary spiral will not get out of hand.

Policy

The Government's new prices policy is expected even by its author to put 1 to 2 percentage points on the rate of inflation in the current year, thus jacking it up to somewhere between 10 and 11 per cent. Only a continuation of a tight monetary and credit policy, coupled with wage restraint, will prevent it from soaring even higher.

There are those who claim there is a contradiction between the Government's desire to stimulate industrial investments, which have been stagnating during the past two years, and restricting the banks' capacity to lend. But this argument is rejected by the Government which maintains that its chief purpose in freeing industrial prices is to enable industry to operate profitably and to finance more investment out of own resources. The overall economic strategy of the Government is in any case relatively modest. Far from wishing to create the conditions for an economic boom, which would not be realistic in the current international context and would carry with it the danger of overheating, it is aiming for a growth rate of little more than 3 per cent in 1978.

The banks can hardly quarrel with the Government's objective of keeping down inflation and most leading bankers will admit that it would be folly suddenly to relax the control over the money supply. But they feel very strongly that the present system of credit norms is much too rigorous and bureaucratic.

Leading the crusade against credit controls, after having been one of the most outspoken critics of the Left's nationalisation programme, is M. Jean-Maxime Leveque, chairman of one of the country's biggest private banks, the Credit Commercial de France. M. Leveque does not mince his words. At the annual general meeting of his bank last month, he described the controls as "a barbarous practice" and said that France alone among the biggest Western countries had permanent recourse to such a system.

If it were to continue much longer—it has already been applied since 1972—it would have the effect of permanently cystallising the respective positions of the banks and of sapping their competitive spirit, he said. A much more flexible and less uniform system was required, based possibly on the relationship between banks' capital and the credits they grant.

The critics of the Government's credit policies no doubt have a point, but an objective analysis of the situation shows that they have tended to overstate their case. While, in 1977, a credit growth ceiling of 5 per cent was imposed on the eight largest banks whose outstanding loans exceeded Frs 6.5bn (about £750m) at the end of June 1976, important categories of loans were exempted from this provision. These included short and medium-term export credits and loans to finance energy-saving investments and represented as much as 20 per cent of total domestic lending.

Consequently, the loans actually distributed by the banks last year grew by nearly 14 per cent, compared with 15.7 per cent in 1976. And in the second half of last year, the demand for credit fell by so much that it did not even attain the maximum monthly limits set by the authorities. The banks were therefore enabled to build up substantial credit reserves which they could carry over to 1978 and which were not subsequently subject to the growth norms.

A look at the banks' results for 1977 shows that by no means all of them appear to have suffered too much from the constraints imposed upon them by the Government. Mr. Leveque's own bank, the Credit Commercial, last month announced an increase in net profits in 1977 to Frs 77m from Frs 68m the previous year and was able to raise its net dividend from Frs 7.40 to Frs 8.00 following a 65 per cent increase in the pay-out during the three previous years.

It can hardly be said, therefore, that the banks are in a desperate position and there are no indications that the Government intends to modify fundamentally its credit control policy in the immediate future. A more sympathetic hearing, authorities to other complaints which have been voiced with increasing insistence lately.

Though the conventional wisdom in France is that the mixed system of nationalised and private banks has worked reasonably well, there are areas in which it is manifestly unfair to the private sector. Long ago resigned to the fact that the nationalised deposit banks, brought under state control just after the Second World War, are there to stay, the private bankers have recently turned their guns on the nationalised para-banking instutions, which provide a more vulnerable target.

Resentment

A particular source of resentment is the privileged position of the Credit Agricole. Specialising in soft loans to farmers and now one of the biggest "banks" in the world, the Credit Agricole is heavily subsidised by the Government and, unlike the three nationalised deposit banks (Banque Nationale de Paris, Credit Lyonnais and Societe Generale), is exempted from company taxes. "Third in the world and first on earth," according to its latest advertising campaign, the Credit Agricole can hardly be said to have achieved this eminent position entirely by the sweat of its own brow. What is more, it has lately spread its tentacles to much less specialised areas by opening branches in the heart of Paris, Lyons and Marseilles, thus competing directly with the traditional deposit banks. As one French banker put it ironically: "I can't see many peasants opening an account on the Place de L'Opera."

The word in banking circles is that the new French Government is beginning to take note of the criticisms and feels that something must be done to put the para-banking institutions such as the Credit Agricole and Credit Mutuel on a more competitive footing.

Meanwhile, the restrictions imposed on the banks at home means that they have looked increasingly at foreign markets for an expansion of their activities. Banking income from abroad has, in many cases, increased by 50 to 100 per cent faster than domestic revenue and more than 30 per cent of most of the larger banks' profits are currently generated by their foreign operations.

After the great explosion of new branches in France following the Debre banking reforms of 1966-67, which abolished the legal distinction between deposit and merchant banks, the French banks are now thoroughly internationally orientated. The invasion of North America, with the creation of Societe Generale's European American Bank and Trust Company, BNP's French American banking Corporation and the Becker Warburg Paribas Group, has been paralleled by the heavy involvement of French banks in the Middle East, the Far East and Latin America.

Whatever bankers may say in public about the iniquities of the Government's credit policies, there can be little doubt that they have helped to widen the French banks' horizons.

Robert Mauthner
Paris Correspondent

WEST GERMANY

Wary view of prospects

THE West German economy, with nearly five months of 1978 gone, is perplexing most of those whose business it is to follow it. The spurt of growth that was discernible at the end of 1977—and which was some consolation for last year's disappointing 2.4 per cent. rise in real Gross National Product—seemed to run out of momentum by the end of the first quarter of 1978.

Yet not all the signs are discouraging. The most recent industrial orders figures (for March) show that there was some recovery from the very low level of activity registered in the early months of the year. Other indicators are ambiguous. Inflation is likely to be well under 3 per cent. this year, while interest rates are at their lowest levels since the mid-1960s. The trade surplus, for all the frightened talk about what an ever-dearer Deutschemark may cause to happen to German exports, remains embarrassingly robust.

What are the authorities to make of all this as they move to forestall criticism expected at the July Summit meeting in Bonn of leading industrial nations? Chancellor Helmut Schmidt's coalition Government of Social Democrats and Free Democrats has promised its foreign partners that it will take a fresh look at the case for further stimulatory measures once full data for the first quarter are in hand. But the figures are not yet available and may not be for several weeks.

The pressure on Bonn persists, however. Much of it is predictable enough, such as the periodic urgings of the British Treasury or of the Carter Administration in Washington that West Germany should accept its role in a "convoy" of economies supposedly steaming towards calmer water (last year the catchword was "locomotive").

Underpin

Pressure on Bonn has been increasing recently from domestic sources in favour of a fresh round of measures to underpin a growth target of 3.5 per cent. in real GNP for 1978, which Ministers called "ambitious yet feasible" when it was announced only in mid-January. Most penetrating so far has been the spring report published in late April by the joint working party of the country's five leading economic institutes. It forecast an increase in real GNP of no more than 2.5 per cent. this year and called unambiguously for further cuts in personal and corporate taxes as the best means of injecting a further stimulus.

"Although hopes of a sustained improvement in the development of the economy were not very great last autumn," the report stated, "they are now even more muted. The optimism with which business viewed the economic outlook in the wake of the policy change last autumn, and which gave rise to hopes of an upswing, has meantime largely faded away."

Official economists have little quarrel privately with the institute's analysis, even though Count Otto Lambsdorff, the Minister of Economic Affairs, was obliged to dismiss the call for tax cuts with the curt remark that such talk was "pointless" until the full first quarter review could take place. The real question, the Government believes, is whether policy measures of the classic kind are appropriate in addition to those already taken, whose effects are now beginning to be felt.

As it is, the four-year DM16bn. medium-term investment programme agreed in March 1977 is having a favourable effect on construction activity. The impact of the DM15bn. tax cuts which came into force this year has not yet been fully felt. Meanwhile the Government has also budgeted for a total of DM31.5bn. in new borrowings, which will lead to DM10bn. more public debt than last year.

On the monetary side, Dr. Otmar Emminger, president of the Bundesbank, has been saying ever since last summer that there was little more that could be done. While a certain number of companies may be waiting for interest rates to fall still further, there can be little doubting his thesis that it is not the cost of credit that is putting people off borrowing more. Despite heavier borrowing by the public sector and by private customers there is still a liquidity reserve in the economy which, the Bundesbank has warned, could even be excessive in the event of a very rapid recovery in activity.

Meanwhile the Frankfurt central bankers' now seemingly permanent "experiment" with setting targets for the growth of the money supply is being continued, with a 6 to 8 per cent. range of increase for the chosen aggregate, the central bank money stock. If the Bundesbank has come in for criticism from monetarists for allowing somewhat more rapid growth than this, its answer would be that its prime duty to ensure stable growth outweighs purity of doctrine, and that the target will not be made the occasion for any tightening up in present circumstances.

If the authorities and their critics are united on the anlysis of the economy's present malaise, they can also agree on the two most fundamental uncertainties that still weigh on it. The first of these is the sea change that has taken place in the area of labour relations and wages during the past year or so. The most immediate effect of this is in the high level of wage increases—by West German standards—won in the hard-fought and expensive engineering and metalworkers' strike this spring in

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THE NETHERLANDS

Looming credit curbs

BUSINESS CONTINUES to flourish for the Dutch banking community although the still depressed state of the country's economy and the Central Bank's decision to curb credit volume have slowed down rates of growth. Holland's domestic banks are expanding abroad in search of business while the list of foreign banks in Amsterdam continues to lengthen. The exceptionally successful mortgage banks can look back on a record year in 1977 while they too, are casting their eyes abroad for new markets.

The general economic situation is not rosy although there are signs of success in some areas. The country's main economic forecasting unit, the Central Planning office, foresaw a 2½ per cent increase in gross national product this year, the same as in 1977, when it produced its annual set of forecasts last April. One month later, Economics Minister Mr. Gijs Van Aardenne was telling parliament he had revised downwards his expectations of economic growth. Apparently taking a different definition of economic growth, he foresaw an annual increase of 3 per cent in the next few years compared with his earlier hopes of 3½ per cent.

Unemployment is expected to rise to an average of 215,000 this year from 204,000 in 1977 and there are now doubts that government plans to create 110,000 new jobs by 1981 will be adequate.

Dutch exports are expected to rise 3 per cent in 1978 compared with a fall of 2 per cent last year. But seen in the light of an expected 5 per cent rise in world trade this implies a further loss of overseas markets.

Dr. Jele Zijlstra, president of the Dutch Central Bank, sounded his traditional warning in his annual report but even he is moderately satisfied with Holland's fight against inflation. He is forecasting a 4 to 4½ per cent rise in prices this year. This is still higher than Holland's largest trading partner, West Germany, but down on the 6½ per cent in 1977 and well below the 10 per cent figure of 1975. His curbs on the growth of bank lending have also been partly successful in stabilising the growth of money supply at around 7 per cent. On the wages front, following the bitter confrontation of 1977, the unions have settled for minimal wage increases and the spring wage round has passed off peacefully.

How well have the Dutch banks done against this patchy economic backcloth? The big two commercial banks have both achieved respectable if unexciting levels of growth. Amsterdam-Rotterdam Bank (AMRO) started the annual report season with news of a 15 per cent rise in profits (14 per cent in 1976). Its balance sheet total was 19 per cent higher compared with the 20 per cent rise of the year before. Algemene Bank Nederland (ABN) followed with a 14 per cent increase in both profit and balance sheet total (10 and 16 per cent respectively in 1976).

At the Nederlandsche Middenstandsbank (NMB) net profits were 26 per cent higher (39 per cent) *while the balance* sheet rose 22 per cent (26 per cent).

The largest bank in Holland, the farmers' co-operative Rabobank, raised net profits by 12 per cent (20 per cent) and its balance sheet total by 20 per cent (17 per cent).

But it is elsewhere that there was the most *spectacular* performance in 1977. Holland's three independent mortgage banks, as well as the mortgage bank subsidiaries of the universal banks, saw record improvements in profits and business volume as house prices rocketed. Westland-Utrecht Hypotheekbank, the largest of the three, saw its mortgage portfolio rise 46 per cent while net earnings were 52 per cent higher. The Friesch-Groningsche managed *increases of 50 and 56 per cent* respectively while the much smaller Tilburgsche raised net profits 80 per cent and its portfolio by 58 per cent. Local authority delays in releasing land, pressures on space in the crowded "Randsad" and the sudden taste of the Dutch for a home of their own made mortgage banks the top performers in 1977.

Holland's traditional universal banks are facing increasing competition. The Rabo may be Holland's largest but it has for a long time been regarded as a sleeping giant. This is now changing. While maintaining its role as a provider of finance to the agricultural sector it is expanding into new areas. The Rabobank logo is almost as familiar now in Dutch town centres as that of its two big commercial rivals, ABN and AMRO. Rabobank is also moving abroad. It has joined *Unico-United Cooperative Banks* of Europe. This gives it links with more than 10,000 agricultural and industrial co-operative banks in Denmark, France, West Germany, Austria and Finland. It is also expanding its stake in the international insurance market.

The Westland-Utrecht Bank has ambitious plans to expand its property development activities into the rest of Europe while it also sees potential for developing its personal lending, life insurance and savings account activities.

But the potential competition which most worries the bankers is the plan to merge the post office savings bank and the postal giro system into a state-owned post office bank. If the *new state* bank were to extend its operations into the fields of commercial credits and to compete actively for customer deposits the commercial banks would have a formidable rival. They fear the Finance Minister would be tempted to use the new *bank* to support government policy and a potential conflict of interest between the Minister's guiding role over the proposed *bank* and *his* responsibility for general monetary policy. These fears were allayed somewhat with the arrival of a new centre-*right* government in January. The new administration's precise intentions towards the "Postbank" and towards the range of its activities are still unclear. The new bank, if it comes, will be the fourth largest in Holland.

Competition from foreign banks established in Holland does not present a threat to the domestic banks' retail operations *although they do compete* strongly for wholesale business.

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WEST GERMANY

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the key North Wuerttemberg/North Baden region.

This has, as is often the case, become the norm for the industry *nationwide—and indirectly* for other workers in other sectors. What makes the settlement exceptional is not so much that it pushes against the limits of what the Government believes the economy can afford, but that it also for the first time directly protects workers from the effects of investment in labour-saving machinery.

Such a clause has been sought in other industrial negotiations, and it could be said that the bitter dispute in the German printing industry this spring essentially turned on the same issue of defending jobs from the inroads of machines. Such a goal on the part of trade union negotiators is understandable at a time of unemployment running at close to 1m. on average all the year round.

The union leaders perceive that for all the political speeches made about the need to return to full employment it has become—thanks to the social security system—a permanent feature of life that one German in 25 of working age should not be working. Their response *has been* — again despite much oratory to the contrary — to close ranks by protecting the jobs of their members and getting the highest wages they can for them.

Strain

In the past employers would have grumbled but eventually paid up, and the Bonn Government, with the rest of the world, would have been duly impressed by the relative restraint of German unions and by the cohesion of the German social contract. To-day that contract is under strain, with the unions boycotting its most visible machinery, the so-called concerted action conference, and the employers challenging through the courts the hard-won Workers' Participation (*Mitbestimmung*) Act.

What has contributed to a new hardness on the side of employers has been the second major uncertainty weighing on the Germany economy — the remorseless climb of the Deutschemark against the dollar and against virtually every other currency. Scarcely any company has reported this year without making clear that for West German products on export markets, breaking point may now have been reached. It is no use pointing to the experience of past revaluations and to the amazing resilience of Germany's typically high-technology export items such as machinery and industrial plant. The fact is that competitors have in many cases caught up in quality, and are able to offer prices 25 per cent. and more lower.

What does all this mean for the German banks? For all the gloom to be heard from industry ever since it became clear in the middle of last year that recovery had faltered, the past year has not treated the banking business unkindly. With a few profit figures still to come, the general message from the bankers is that a good deal has changed since the days when industrial credit demand was the main determinant of their prosperity, although it remains an important factor — strengthened if anything by the banks' own long-term holdings in many of their major industrial customers.

On the domestic side profitability has been aided by an increase in private customers' borrowings to buy items like cars, houses and expensive foreign holidays. Demand from public bodies is likely to remain brisk, especially if Bonn succeeds in persuading State and local authorities to follow its own example of calling a halt to the process of trimming back public debt.

Yet the brightest area of the banking picture is once again foreign business. The major commercial banks and several of the publicly owned Landesbanks derive as much as 30 per cent. of their profits from their foreign business. In the past five years, according to a study recently published by the *Bundesbank, business involving* foreign customers has risen threefold, while that with domestic customers has increased only one-and-a-half times.

The volume of business done by overseas affiliates rose tenfold from DM4bn. to DM47bn. during the same period. Perhaps the most revealing figure of all is the almost fivefold increase in the business (measured by balance sheet totals) of the West German banks' Luxembourg subsidiaries. This element illustrates more than anything else the strong place that German banks have come to occupy in the Euro-currency markets.

Yet there are probably few German bankers who would predict that such growth can be sustained indefinitely. Here and there signs of a less frenzied pace are already appearing, accompanied by talk of a phase of consolidation on the foreign side. Shortly before the abrupt departure of Herr Ludwig Poullain as head of the Westdeutsche Landesbank—Girozentrale a public row had broken out with the North Rhine-Westphalia authorities precisely over the question of how far the institution ought to continue to expand abroad.

For the commercial sector though no comparable overlord *exists, there have been hints* that the Bundesbank might be interested in ways of bringing Luxembourg subsidiary banks within the orbit of its monetary policy-making and influence. Whatever the truth of that (and the central bankers in Frankfurt are realists enough to know they have little hope of success), the next few years may possibly see other attempts to clip the powerful wings of the West German major banks. Their dominant role in providing long-term industrial finance is not longer seen by everyone as so automatically benign as in the post-war era, while their effective sway over the stock and bond markets may also be more openly questioned.

Adrian Dicks

United in a common purpose

THE HEADLINES tend to give the impression that Italy is more or less in a state of permanent chaos, and certainly the recent escalation of politically-motivated violence, culminating in the kidnapping and subsequent assassination of Sig. Aldo Moro, the former prime minister, has only added to this image of gloom and even imminent doom.

Yet for the first time in almost a decade, Italy's balance of payments account overall showed a healthy surplus of some $3bn last year, another surplus appears likely this year (given no drastic change of course in economic management, and no major political crisis), and the minority Christian Democrat (DC) Government of Sig. Giulio Andreotti, is planning to have the economy growing at an annual rate of 4 per cent plus by the last quarter of 1978. The inflation target is for a maximum 13 per cent.

Superficially at least, it is no dismal performance, or even promise. The official reserves have risen sharply, indeed spectacularly so, when compared with the position at the time of the exchange rate crisis two years ago, even if the gains are somewhat notional, reflecting a sizeable increase in the external liabilities of the banking system.

The Andreotti Government, while being a minority administration, won its confidence motion with the backing of some 90 per cent of the votes in parliament, following a rather unique and very Italian arrangement which has moved most of the opposition parties, including in particular the powerful Communists (PCI), into a kind of limbo in which they are not part of the Government as such, but they are an essential part of the Government's parliamentary majority! In these terms at least, and for the moment anyway, Italy probably has one of its most stable governments in three decades.

The principal parties are—or at least claim publicly to be—more or less as one on the big issues facing the country, on the need to combat terrorism, to create more jobs, to contain the enlarged public sector deficit, to restructure industry, to reform the health services, to reorganise the social welfare structure, to aid investment in the depressed southern regions and to revitalise the long-neglected agricultural sector.

The Communists want a more efficient stock exchange to serve as a vehicle for channelling small savings into industry. The long-ruling Christian Democrats give the impression of going through a period of public repentance, almost (if not quite) acknowledging their guilt for many of the nation's ills after more than 30 years of DC government. The trade union leadership is talking about the need for moderation in wage demands, for more labour mobility in industry, and for a limit to how much public funds, and for how long, should go to bailing out industrial lame ducks.

The whole thing is almost unreal, but then for the time being at least all this rapport is at the level of public statements and general commitments to bring about change. Suddenly it seems everyone is against sin and in support of virtue. Spending cuts are seen to be essential in order to stop the escalating public sector deficit from getting totally out of control, and because the International Monetary Fund (IMF) is demanding them anyway, but which cuts and in which services?

Quality

The new form for the future is supposed to be about the quality of public expenditure, not the quantity as heretofore, and the commitment, on paper at least, looks impressive. The enlarged deficit, to include the social security services and ENEL, the State power undertaking, is to be cut back to around L20,000bn (say £12.5bn) from the near L30,600bn it would otherwise be this year on the basis of unchanged policies. Another L4,000bn of new reflationary and job-creating spending is then added back, making a projected 1978 total deficit of L24,000bn or £15bn, and from Washington the IMF has signalled its approval.

This approval, incidentally, has come despite the undertaking by the earlier Andreotti Government, in its "Letter of Intent" to the Fund in April, 1977, to limit the enlarged public sector deficit in calendar for 1978 to L14,450bn, but then most of the parties to that particular undertaking are inclined to suggest at this point that this Letter of Intent deficit projection was taken more or less out of the sky after protracted negotiations, and an intervening General Election in June, 1976, had exhausted the energies and perhaps even the nerves of all the negotiators.

However, the revised figure for the current year is seen by all sides to be a great advance on what otherwise might have been, the only trouble being that it has not as yet been made clear in any specific way by the Government how the target is to be met. Fiscal drag, higher public utility tariffs, and some further improvements in the efficiency of the tax-gathering machine—there have been some improvements in recent years, but the urge to fiddle taxes or, better still, avoiding payment altogether, remains a national sport on par almost with football—are to combine to boost the revenue side this year, and the unspecified spending cuts have yet, as noted, to be unfolded.

The target for domestic credit expansion is set for the current year at L40,000bn which, theoretically, is consistent with other main targets, but the apportionment between the State and private sectors has yet to be defined with any clarity, and the public sector's failure last year to operate within assigned, or at least self-imposed, limits is not an encouraging omen.

However, some more concrete indications are likely by the end of the month when the detailed budget provisions are due to be presented to Parliament. The so-called "three-three-three" formula which the Government has settled on in order to cut back the public sector deficit is to be unfolded, the package seemingly having L3,000bn in new taxes and tariffs, a similar sum in actual programme cuts and the balance saved through a postponement until next year of a number of already earmarked projects. The budget details should also give the Administration an opportunity to illustrate how the projected year-end growth rate of above 4 per cent annualised is to be reached and maintained without a renewed explosion on the imports side and the risk of another foreign exchange crisis.

Also at month's end—on May 31 in fact—the Bank of Italy in its annual report will have its own say on economic and monetary policy, and the Governor, Dr. Paolo Baffi, in his own statement may even wish to recall his earlier warning that in present circumstances in Italy, a growth rate of more than 3 per cent. on average over the next few years is hardly possible without the real danger of new payments difficulties. After all, the sharp improvement on the payments account last year was the main expense of a developing recession now, happily, showing signs of at worst bottoming out, and at best already in reverse, if only marginally so, on the basis of first quarter returns for industrial output. Additionally, it is only fair to add that the 1977 improvement was also due to a favourable adjustment in the terms of trade and, not insignificantly, to a big rise in earnings on tourist account, up last year by some 54 per cent over 1976 to show net receipts of $3.8bn.

If skilled economic and monetary management helped greatly to save the day as it were last year, the monetary authorities understandably are not inclined to loosen their tight controls on credit to the private sector until they see more precisely how the Government intends relating its good housekeeping promises into practice, especially with the employer organisations and the trade unions demanding a run for growth at the expense of the reserves.

There was a sharp contraction last year in the rate of expansion of commercial banking loans, although many major companies did cover their funding requirements through international borrowings. The Bank of Italy has now extended through to July banks' lending ceilings which were due to come off in March, presumably in the hope of by then knowing in greater detail the likely credit demands of the state sector.

In this uncertain climate for the monetary authorities, interest rates have been maintained at a high level, although well off the crisis rates of 1976. Overdraft facilities for good quality borrowers are still in the 15 to 16 per cent range, leaving the commercial banks with a comfortable spread which in recent weeks has been reflected in improved disclosed profits for last year.

The banks themselves justify their average five to six per cent spread on commercial transactions by pointing to their low-yielding locked-in assets at the dictates of the central bank via compulsory deposits, together with the under-utilisation of some of these available assets because of the recession. There is also growing concern that the banks' profitability and, indeed, their overall capital base need to be expanded if, in fact, they are to play an important role in financing—through an exchange of equity for existing credit lines—the long-promised industrial reconversion programme, a proposed role for them which has been advanced strongly by Dr. Guido Carli, now head of the national employer organisation, Confindustria, and also by many of the political parties. The central bank has similar ideas, although with limitations, being understandably concerned to ensure against any undermining of the status and credibility of the Italian banking system.

Dominick J. Coyle

THE NETHERLANDS

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Following the wave of U.S., British and Japanese banks in recent years, the latest arrivals have strengthened the French presence. Societe Generale and Banque Nationale de Paris have joined the long established Banque de Paris et des Pays Bas and the Banque de Suez. The third new arrival is the Hongkong and Shanghai Banking Corporation.

But the past year has also seen further moves abroad by the Dutch banks. The limits on expansion in the crowded Dutch market and the increased internationalisation of Dutch business — insurance companies, retail groups and the big contractors have all increased their overseas activities — lie behind this trend. AMRO, which up to now has worked largely through the European Banks International Company — the EBIC Consortium — is starting to set up its own branch network abroad. It has recently opened branches in London, Tokyo and Dubai. NMB has also been strengthening its operations in New York, it has opened its first Middle East office in Beirut, and it has bought a bank in Zurich which it has renamed NMB Bank Schweiz.

ABN is the bank with the largest foreign network through its historical links with the former Dutch territories in South-East Asia and with South America. It attributed one third of its 1977 earnings to its foreign branches and affiliates. Including Eurocurrency business and foreign business carried out from Holland, the foreign share of earnings is nearer 50 per cent. In April it opened a second office in Tokyo, a month after its seventh U.S. branch, in San Francisco, began operations.

The question which has most exercised the minds of the Dutch banking community in the past few months is the decision by the Central Bank to continue its credit curbs. First introduced in May 1977 and working retroactively from January of that year, they were extended for a further three months at the start of 1978 and they are now due to run until the end of March 1979. Confusion surrounded the latest extension of the curbs with the Central Bank claiming it had eased the conditions and many bankers saying they had been tightened. The Central Bank has imposed limits on lending financed by short-term borrowing to restrict the growth of money supply. Long-term borrowing can be passed on directly since it does not lead to the creation of extra liquidity. Borrowing short and lending long had led to excessive liquidity creation in the past two-to-three years.

Banks were allowed a ceiling of 12½ per cent on credit growth in 1977. This was reduced to an annual rate of 10 per cent in the first quarter of this year and again to 8 per cent in the 12 months to next March. Although the percentage figure has been reduced, the Central Bank says it will allow savings deposits of two years and more to be classed as long-term funds, so these no longer fall under the curbs. Dr. Zijlstra sees this as a slight easing of the curbs although many bankers disagree.

The commercial banks could hardly be expected to welcome controls at the best of times. But they are particularly sceptical of their use in the present economic depression.

Their fears that curbs on credit would push up interest rates have not been realised however. Interest rates have been declining for several months and there are no signs of an upturn. The measure has been successful in persuading banks to increase their borrowings of long-term funds. The mortgage banks, which for the most part borrow long, have seen their business volume increase strongly. The higher levels of mortgage borrowing have been little affected however. The Central Bank has agreed to meet the banking community in September to discuss the impact of the curbs.

Charles Batchelor

Flourishing year despite Chiasso

THIS TIME last year Swiss banking was rocking on its heels as more and more unpleasant details became known of the £600m scandal involving the Chiasso branch of Crédit Suisse. National Bank president Dr. Fritz Leutwiler was voicing a widely held fear when he said shortly after the story broke that an affair of this kind "would inevitably affect the Swiss banks' reputation for soundess and integrity." There were few people last spring who would have been sanguine enough to foresee that business would continue virtually as normal for all concerned and the standing of the country's banking network come out of the drama with hardly a dent.

As was increasingly obvious as the year wore on, the shocked surprise of the outside world led to very little withdrawal of custom from Switzerland. Most banks—including Crédit Suisse—returned record profits for 1977 and the combined assets of the 71 banks reporting their figures to the National Bank reached a new peak of of SwFrs 284.4bn by the year's end. To quote Rainer E. Gut, Board spokesman of Crédit Suisse: "It was the Chiasso case itself which also proved the strengths of Swiss banking."

All this does not mean that the scandal has been without consequences. Apart from the herculean task of sweeping up the pieces in which Crédit Suisse itself is engaged, the question of more efficacious bank control has been thoroughly ventilated and has led to efforts at all levels to stop burgeoning business from getting out of hand. Particularly important measures have been the five-year agreement between National Bank and the Bankers' Association to improve the identification of clients and hinder the "aiding and abetting" of fugitive fund movements, together with the Bankers' Association own recommendations on the running of fiduciary business and the granting of bank guarantees. The Association has also laid down guidelines for internal bank control systems and—like the Government's Banking Commission—considering new rules for the protection of depositors.

Rather less to the banks' liking is a referendum proposal presented to the Annual Congress of the Social Democratic Party in Basle last week for increased public surveillance of the banking system. The motion aims at a constitutional amendment such as would extend the reporting obligations of banks, finance companies and similar bodies—particularly with a view to countering tax avoidance—towards the authorities and the general public, limit banking interests in non-banking companies and lay down obligatory insuring of deposits. The Social Democrats' proposal has not much chance of finding the necessary approval in a future poll—but it is much clearer and more realistic than the party's original vague ideas in the immediate wake of "Chiasso."

Meanwhile, this year got off to a fairly good start for the banks. First quarter business of the Big Three developed to the satisfaction of Swiss Bank Corporation and Crédit Suisse, though income was down in the case of Union Bank of Switzerland; all three banks showed a new rise in assets. Virtually every Swiss bank in portfolio management has been hit by the non-resident investment ban re-introduced in late February to counteract an excessively high Swiss franc exchange rate, however, and all are now feeling relieved that after Whitsun this was toned down at least to the extent that foreigners can buy new shares with proceeds from the sale of other Swiss shares.

Another general cause for complaint is the fall in foreign-exchange and precious metal dealing income, largely because of strict Government currency regulations. At the same time, non-resident money in Swiss banks was hit earlier this year by National Bank measures including an extension of the negative interest liability on new and some existing foreign deposits in Swiss francs.

Problems

Banking in Switzerland is certainly becoming increasingly difficult in the light of monetary restrictions—quite apart from such current problems as the difficulty of placing a steady flow of domestic money at worthwhile interest rates. Problems are especially marked, as was pointed out at length by speakers at this month's Association of International Bond Dealers congress in Zurich, for the private banks and the foreign-owned banks. In May alone two well-known private banks (one in Geneva and one in Zurich) were taken over by larger institutes, while the Swiss foreign banks' spokesmen see the importance of this second group of up-market banks on the wane.

A former private bank, too, was in the headlines this month when it was disclosed that the deficit of Leclerc and Cie., of Geneva, whose difficulties became known last year, totalled SwFr 394m. Clients of the bank are not expected to receive more than 9 per cent. of what they are owed.

All in all, though, Swiss banking is healthy and looks like showing a further overall growth this year. The larger banks are certainly continuing to expand in the banking field. Crédit Suisse, for example, recently took over the former White Weld stake in the international investment banking operation Crédit Suisse-White Weld after having late last year increased its shareholding in the New York-based investment banking firm Sogen-Swiss; in Switzerland, it acquired control over Bank Neumünster in Zurich. Swiss Bank Corporation for its part has just bought a stake in the Geneva private banking house Ferrier Lullin and in the latter part of 1977 had taken over the small loan specialist Urania Bank and gained control of the Beglinger Finance group.

There is a general interest in expanding operations abroad—despite occasional divestments like that of Union Bank of Switzerland in the New York joint venture UBS-DB—and the interest in opening up new domestic branches has reached the level where the four biggest commercial banks (the Big Three plus Swiss Volksbank) have reportedly started talks on the re-introduction of a self-restraint programme.

Switzerland's banks remain, unlike their German counterparts, chary as far as non-bank engagements are concerned. According to Dr. G. Tobler, a managing director of the Union Bank, only 0.1 per cent. of the assets of all Swiss banks were accounted for by industrial participations as of the end of 1976, with an only very slightly higher share of 0.15 per cent in respect of the big banks. In fact banks have not always been lucky in their outside investments—although the Crédit Suisse stake in the Jelmoli department store proved lucrative until sold last year—not a few of which have fallen unwanted into the banks' laps.

It seems likely that Swiss banks' shareholdings in non-banks are due to decline rather than rise in future, for all that the Social Democrats are suspicious of "interlacing." It remains to be seen, however, whether the banks' actual influence at boardroom level will decrease and to what extent the habit of banks' proxy voting at other companies' general meetings will be modified.

John Wicks
Zurich Correspondent

IRELAND

Good if dominant influence

THE IRISH banks loom peculiarly large on the local scene. In most Western countries banks are accepted as institutions of considerable power and influence but in Ireland, while their corporate image is good, they are seen as especially powerful and pervasive.

The reason for this sense of omnipresence probably lies in their size in a small economy made up of small units. The four commercial banks which form the "associated banks" had assets of almost £3bn as of February last, and of these the largest share belongs to the two Irish-owned banks, Allied Irish Bank (AIB) and the Bank of Ireland (not to be confused with the Central Bank which is called just that).

In Ireland only the Government itself and its semi-State corporations can compare in scale. Small wonder then that the doings of the banks are frequently a subject of public comment and sometimes of misunderstanding.

Profits

The most recent issue to hit the headlines is profitability. The banks have just published their accounts. Bank of Ireland reported pre-tax profits of £43m, an increase of 26 per cent on the previous year, while Allied Irish figures were £35.4m, an increase of £11m. No Irish company can show profits on this scale and most would be glad even of this rate of increase.

So, as has happened before, there were calls for the profits of the banks to be investigated and the repetition of a belief that the banks are somehow not doing all that they might for the development of the Irish economy. This view, though rarely enunciated clearly, suggests that millions of pounds are either invested abroad or being used to create profits instead of being made available to worthy investors.

The debate was given a new edge this year with the announcement that the central bank, which has had the responsibility of monitoring bank profits for the past eight years, is to institute a new study. It was stressed, however, that this has no connection with this year's figures. The banks themselves strenuously deny the charges both of excessive profitability and incorrect deployment of funds.

On profitability the banks claim their figures do not really represent growth in a time of inflation. The Bank of Ireland has almost £2bn on deposit. This represents an increase on the year of 10 per cent and the bank's argument is that in this light its profits show no real growth.

The chief executive of Allied Irish, Mr. Joseph McGlinn, also claims that his company's profits are inadequate to support the bank's growth. In the past few years, he points out, the bank has had to raise £45m in the market to sustain its capital base. Despite the popularity of the bank issues in Ireland, Mr. McGlinn claims there could come a time when the public says no.

It is argued too that in 1976, for example, return on capital employed for AIB was a reason-

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AMSTERDAM, RIJKSMUSEUM

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BELGIUM

Inflation kept under control

THE OUTLOOK for Belgium has in some vital respects much improved since the beginning of this year. The Belgian franc seems to have recovered from last autumn's nasty bout of speculation caused chiefly by the rise in the Deutsche Mark against the dollar and subsequent doubts about whether it could follow the German currency up. For the moment it is resting comfortably within its "snake" joint float margins. The National Bank has not only repaid all the short-term debt it incurred in late 1977 in supporting the franc but has also shown its confidence by progressively cutting its discount rate and rate on advances to 5.5 per cent—the lowest level since early 1973.

Keeping the franc tightly in the "snake" has undoubtedly been the major factor in reducing the rate of price increases. Inflation was down to 4.6 per cent in the first quarter of this year on an annual basis. Some VAT increases at the start of this year meant a slight rise on the 3.6 per cent annual rate recorded in the last quarter of 1977, but 1978 is expected to show a decline from the 6.3 per cent consumer price rise in 1977.

Slackening inflation is also the major factor in the National Bank's ability to cut its interest rates, though it is highly unlikely that it will be able to cut them any further without shaking confidence in the franc's present parity with the stronger "snake" currencies, the guilder and the D-mark.

Other reasons for optimism are less easy to quantify. They mainly consist of the National Bank's "synthetic curve" of leading indicators, which after declining for most of 1977 have shown a steady rise since October 1977. The precise value of this amalgam of indicators for any one month is questionable, but it is useful in showing the direction of trends among the expectations of Belgian business and industry.

The two main ingredients of the synthetic curve, which are surveys of domestic and export orders, are now much more positive than last year.

Nevertheless the actual level of economic activity is not good by whatever yardstick measured. Industrial output, which actually fell 0.9 per cent last year, is not expected to do more than maintain its level this year. In answering recent questionnaires and polls Belgian businessmen have been saying they intend to increase investment this year. But there is little sign of them putting their money where their mouths are. Certainly Belgian banks have seen little call for investment credit from the private sector this year, and the level of investment credit given by the banks in September 1977 was only 0.8 per cent higher than a year earlier.

In theory lower interest rates should now stimulate demand for credit. But despite the National Bank's moves, long-term interest rates have remained obstinately high. Any increase in investment is in any case likely to lag behind that in demand, and although supermarket and car sales have stayed buoyant, overall demand has stayed fairly stagnant.

Jobless

Taking unemployment figures—a classic measure of economic activity—the picture is far from rosy. The number of jobless has come down from its post-war record of 304,000 in January to about 280,000 in May—about 6.9 per cent of the active workforce. But this drop is wholly artificial, given that since the start of the year some 29,000, mainly young people, have been put to work in special Government programmes, in other words, without Government intervention unemployment levels would have gone even higher.

Another and equally worrying aspect is the lack of job opportunities. Last year, for instance, the average number of unfilled vacancies as a ratio of total unemployed was just over 1 per cent; back in 1970 it was as high as 35 per cent.

What impetus there is in the Belgian economy at the moment comes from a vastly increased State investment programme—some BFr 205bn planned for 1978—41 per cent up on public investments actually realised in 1977. This investment effort, plus the special work creation schemes for the unemployed, were designed to counteract the curbs on private consumption through higher VAT taxes, and to attempt to reduce public spending on current account. As such it was designed to provide a balancing act between Prime Minister Leo Tindemans' dominant Social Christian Party, chiefly worried about inflation and high State spending and borrowing, and the second biggest coalition party, the Socialists, who are mainly concerned about unemployment and trade union reactions.

But falling inflation and slower economic growth have combined to reduce anticipated tax receipts, and more people without jobs has meant larger social security payments. Thus the current 1978 budget deficit is now likely to be BFr 65bn, or double the original forecast. Mr. Tindemans and his Social Christian colleagues seem to have taken this as a warning sign that a radical re-ordering of State finances was long overdue.

Concern over a situation in which, for instance, the public borrowing requirement amounted to 6 per cent of Gross National Product in 1977 has also been expressed by the OECD, which seemed to have excepted Belgium from its recent exhortation that member countries should not be afraid to increase borrowing to offset the depression in their economies. It is the general consensus of Belgian banking and financial circles that the overwhelming slice of the bond market the State takes leaves little room for private borrowers and pushes up interest rates, while financing the rest of it through the banking system also fuels inflationary pressures.

So Mr. Tindemans has pledged that there will be no increase in the BFr 65bn current budget deficit, that the Government will present to Parliament by the end of May a broad package of long-term expenditure cuts, and that the first fruit of this will be seen in the 1979 budget in which spending will rise by less than the estimated rise in the GNP in that year.

Not surprisingly this has led to tensions with the Socialists and the trade unions, who fear that Mr. Tindemans and his Centre-Right party want the cuts to bear disproportionately on the social sector and argue that the Government should instead crack down on tax evasion and close tax loopholes which allow the well-to-do to pay less tax than they ought to.

Tensions within the coalition are compounded by threats from some of the smaller parties, notably the Brussels-based Francophone FDF Party, that they will not be associated with unpopular spending cuts unless progress is made on the issues which interest them, mainly the present devolution plans for Belgium.

Industry in Luxembourg is in no better shape than that of Belgium. It would be odd if it were, given the extent to which both depend on the stricken steel sector. But the Grand Duchy's finances are much healthier, and the reason is the booming banking sector, with its heavy involvement in the international Eurobond and Eurocurrency markets.

The balance sheet total of the Luxembourg-based banks has risen from LuxFr 50bn in 1965 to LuxFr 2,115bn ($64bn) last year. Even more striking is that the ratio between the banks' balance sheets and Luxembourg's Gross National Product has increased from about 1 to 22 between 1960 and 1977, while the corresponding ratio in its neighbour has only risen from 0.5 to 1.2.

Happy

Luxembourg Finance Ministers in recent years have made the happy error of underestimating the amounts of taxes brought in by the financial sector, which now includes some 90 banks. This has helped to cover the country's small payments deficit, to meet the shortfall caused by lower taxes from industry and put the overall balance of payments into the black by about LuxFr 10bn last year.

Flexible banking rules and lack of any central bank-imposed requirements have been among the factors attracting foreign banks to the Duchy. Nevertheless, without scaring off any of the foreign business, the Government and banking authorities have recently been trying to improve the solidity of the management of the Duchy's banks, Mr. Pierre Jaans, the Banking Commissioner, says that over the past year total banking business has increased by 16 per cent, while reserve backing has grown by 23 per cent.

Banks have temporarily been encouraged to forego dividend payments to their parents abroad, so that their average ratio of paid up capital to third-party debt rose from 3.5 to 3.8 per cent. (the legal minimum is 3 per cent). Parent banks have also been encouraged to make the day-to-day manager of their Luxembourg subsidiaries an ex-officio member of the local board, a move that increases the Luxembourg authorities' legal control over him.

There is a new addition to the range of services offered by Luxembourg banks—gold. Last December Parliament repealed the VAT on physical transactions in the metal. Mr. Jaans stresses that the aim is not to rival the major European gold centres of London and Zurich, with their daily gold fixings and large networks for secure handling of large gold shipments, but rather to let banks in the Duchy provide a modest additional service to companies and their richer individual clients.

David Buchan

IRELAND CONTINUED FROM PREVIOUS PAGE

able 22 per cent, while the profit to assets ratio showed a much less satisfactory 1.1 per cent on assets employed The banks' fortunes are also the Exchequer's because 46 per cent of profits are paid to the State in taxation.

The banks also refute any charge that they are less than whole-heated in their funding of Irish economic development. According to Allied Irish executives the banks have funds invested abroad but rather import funds for investment. They would argue rather that any shortfall in the private sector is due more to the growing proportion of resources swallowed by the Government and the public sector.

Indeed the two big Irish banks can lay claim to have presaged the Irish "economic miracle" of the sixties and early seventies. At the beginning of that period there were eight major banks operating in Ireland, all of which had been involved in fairly simple commercial transactions for over a century.

In 1966 a sweeping series of amalgamations took place leading to the emergence of the two major banks. The Bank of Ireland acquired first the Irish branches of the National Bank and then the Hibernian and National City banks. Allied Irish emerged as the amalgam of the Munster and Leinster Bank, Provincial Bank of Ireland and Royal Bank of Ireland.

So suddenly Ireland found itself served not by eight small traditional banks but by two major groups which rank in the top 200 of the world's largest banks. The other two smaller associated banks, the Ulster and the Northern, are subsidiaries of the National Westminster Bank and the Midland Bank.

These amalgamations made possible considerable developments in the role and operations of the Irish banks. There was rationalisation which made possible the closure of duplicated branches, although with one branch to every 3,000 of the population the Irish are still heavily banked.

The banks have also been able to cope with a much more intensive use of money generated by economic growth: the rate of turnover of funds on current accounts has increased by 600 per cent in the last ten years. The banks are big enough to adapt to computer technology, although this is still at an early stage in Ireland. But executives are looking to the U.S., where the development of the credit card and the computer holds out the possibility of a cashless and chequeless society leading to large-scale electronic fund transfer systems.

The diversification into merchant and secondary banking has been even more significant. While the resources of the associated banks have increased almost fourfold since amalgamation, those of secondary banks have increased by a factor of 13. The finance and merchant subsidiaries of the two big banks now rank behind the associated banks themselves in size.

Arrival

The non-associated banks have assets of over £1.50bn compared with only £400m in 1971. The opportunity for further growth in these specialised areas has brought the arrival of some big European banks. Algemene Bank Nederland and Banque Nationale de Paris are among those already in the country and the Kreditbank is the latest to announce that it intends to open in Dublin, apparently with an eye to the secondary finance market.

American banks have been represented since 1965. Meanwhile the Irish banks themselves have expanded abroad. AIB now has 26 branches in Britain and Bank of Ireland 15, and both have international money offices in London. Both appear to have had success with their British operations and according to reports British customers have sometimes found the Irish banks lend a more sympathetic ear to their requirements than their native banks.

The real benefit and purpose of the banks' rationalisation was the need to finance Ireland's industrial and agricultural development during the period. It is interesting to note that, perhaps as a throwback to their origins, the associated banks still lend the biggest slice of advances—24 per cent.—to agriculture, while 30 per cent. of the non-associated banks' advances go to the manufacturing sector.

Even so, it is the associated banks, because of their larger size, which are the major source of funds and they have specifically utilised the incentives to industry provided by the Government to put together cheap finance packages for export companies setting up in Ireland. These make use of the fact that export companies setting up in Ireland pay no tax on the value of their exports. A company therefore cannot claim any further tax relief to which it may be entitled, so the relief is passed to the bank which can offset it against its own profits.

Leasing finance produces the most spectacular results but the amount of investment which can be financed under this system is limited, More usual is a combination of leasing and redeemable share preference finance, and in a typical package a saving of 4 per cent on the overdraft rate can be achieved.

The Irish banks have also pioneered the term loan system in an attempt to provide industry with project funds to cover short- and medium-term needs. Over half the lending of the associated banks is now on this basis—an interesting difference from Britain, where the banks are only beginning to move in this direction.

The banks have also moved into the provision of longer term funds, particularly to meet the needs of agriculture and latterly housing. In both fields the banks are now lending for 20-year terms.

By a Correspondent

Some changes for the better

HAVING BEEN buffeted by three bank collapses in the first three months of the year, the Spanish banking system now feels much more at ease in coping with the problems of a depressed economy and tight money supply. Predictions are still unreliable but it seems that the most difficult period, which lasted from October through to February, is over. In particular the Bank of Spain believes that further bank collapses are unlikely, and, if such an occasion arises, that it is now in a much better position to take the correct remedial action.

The causes of the bank collapses had some common features with the crisis in the British secondary banks in the early 1970s. But in general, the causes were a product of the Spanish banking system—a proliferation of small banks and lax controls. Of the 100 banks in Spain, the big seven (Banesto, Bilbao, Central, Hispano-Americano, Popular, Santander and Vizcaya) account for over 60 per cent of all deposits—while the bottom 30 account for no more than five per cent of total deposits in the system. The three banks which collapsed were all small local or regional ones. A more significant feature was the inexperience in banking activity of their main shareholders, all *of whom had bought into the* sector within the last five years.

Thus when money became tight last autumn, small inexperienced banks which had been competing for deposits with attractive (and often illegal) interest rates were squeezed.

The most spectacular collapse was that of Banco de Navarra which forced the Bank of Spain to intervene in January. A Bank of Spain official and two administrators are still sorting through the bank's tangled web of financial dealings, but total losses are expected to be over $60m. of which two thirds are debts on the inter-bank money market. The Bank of Spain intends to wind up Banco de Navarra's affairs and has refused to refloat the bank. The Navarra collapse directly affected another small commercial bank, Cantabrico, which was taken over by a specially formed "bank hospital" whose Pta 500m ($6.2m) capital was subscribed 50-50 by the Bank of Spain and the entire banking community. This bank too may be wound up eventually — while the third bank affected, Meridional, also taken over by the "hospital" is expected to be refloated.

The Bank of Spain has been torn between the need to bolster confidence in the banking system and a desire to avoid propping up those banks whose management clearly deserves no *support. The bank hospital, the* Corporacion Bancaria, was a stop-gap measure necessitated by the previous lack of proper authority lodged with the Bank of Spain. But for two months now the Bank of Spain has acquired wider powers both to inspect banks and to intervene if it is not satisfied with the accounts. Thus the need for such an institution has been eliminated, at least in theory. "The bank hospital is a hospital with only two beds," a senior Central Bank official commented.

Collapses

One consequence of these bank collapses has been a switch of deposits away from the small banks to the larger and better known national operations. This trend has been evident both in time and sight deposits as well as foreign currency deposits. In the first three months of 1978 deposits in the small commercial banks declined by 10 per cent. Only part of this decline could be attributed to a withdrawal of savings to meet outstanding obligations and the difficulty of *small customers in obtaining* credit. Significantly, too, the four foreign banks operating in Spain saw their deposits increase by over three per cent during this period, the highest increase among the banks, suggesting greater confidence in outside institutions.

In turn the present recession is tending to consolidate the position of the big banks, perhaps an inevitable result of the big banks possessing greater resources and more advanced management. There are still too many banks in Spain and it is only a matter of time before the number is reduced. The process of consolidation has been evidenced by a series of important mergers since December. The main ones have been the merger of Coca with Banesto and Madrid with Banesto, thus ensuring Banesto's position as the largest banking group in Spain—and the merger of Iberico with Central—the second largest group. In all three cases the main motive appears to have been the desire by a family with a controlling stake (Coca in Banco Coca, Fierro in the *case of Iberico and Castell in* Madrid) seeking to ensure greater security for the future by trading in their equity for a stake in a larger bank. More of this is expected in the coming year. There is also room for a number of mergers between the small and medium sized banks.

Such consolidation is a healthy sign. Nevertheless it is worth underlining that the mergers have not always been conceived in a very organised manner with the respective interests of the banks dovetailing. For instance Banesto hurried through its merger with *Coca once it learned that its* rival, Central, was going ahead with its merger with Iberico. The value from such mergers will only begin to be felt once management can be rationalised and the institutions are fully merged. So far this is not the case.

Consolidation has also been accelerated by the prospect of the government permitting foreign banks to operate in Spain. This measure has been under consideration for two years but so far the government has demurred, concentrating on more important economic decisions. The necessary decree is now unlikely to be ready before the summer, even though officials say that the main principles have already been accepted. The first basic principle is that of the 60-odd applicants, only a few—perhaps no more than ten — will initially be allowed to operate. The second principle is that these banks should have an obligatory capital requirement of Pta 750m. (the same figure for Spanish banks). Initially there was talk of a Pta 1.5bn *requirement — the obligatory* level of capital and reserves for Spanish banks, but this has been discarded since such a requirement would have inhibited all but a few of the applicants. Still unresolved, it seems, is the proportion of activities permitted in pesetas and the extent they will be able to deal in foreign currencies.

The stimulus and competition provided by the presence of foreign banks is expected to be more psychological, at least at the outset. The foreign banks are more interested in wholesale banking and will not make immediate inroads. Those who fear competivity — still a majority, one suspects—fail to realise that the bulk of Spanish foreign currency loans are provided already by the international banks.

Two other factors are also going to have an important influence on the banking system in the future—the enlarged role of the savings banks, the Cajas de Ahorro, and the liberalisation of interest rates. The Cajas de Ahorro play the same kind of role as building societies in Britain but their position within the banking system itself is considerably more substantial. The Cajas account for just over 30 per cent of the banking system's deposits. Regionally based and established as non-profit making institutions theoretically designed to attract and assist the small saver, these institutions have shown themselves extremely aggressive and in the past two years their growth has been more dynamic than the commercial banks. Since 1976 their deposits have increased at an annual average of 21 per cent compared to under 18 per cent for the commercial banks. Recently they have been allowed to discount commercial paper and to trade in foreign currency.

Last July the Government decided to begin liberalising interest rates, a move which affects both the commercial banks and the cajas. Traditionally the banking system has been obliged to set aside an exceptionally high proportion of deposits for state-selected investment, in addition to that portion normally placed with the Bank of Spain. Such a practice acquired the name of "privileged circuits" because of the privileged position of the recipient who had access to funds at rates of between 4.5 per cent and 6.9 per cent. The commercial banks earmarked 25 per cent. of total deposits, the 24 industrial banks 17 per cent and the cajas as much as 69 per cent. When funds were needed for establishing an industrial base such a dirigiste approach to interest rates was acceptable but it has become increasingly abused and the practice makes nonsense of establishing a proper money market.

Liberalisation

These high proportions of state directed investment are being gradually reduced—though not entirely eliminated. For instance the cajas will have the proportion they are obliged to set aside reduced to 35 per *cent by 1983.* In the case of the commercial banks the proportion is being cut by a quarter of a point every two months to an eventual 21 per cent. The reduction in the availability of cheap credit has permitted the realignment of the overall interest rate structure and for the first time official credit institutions like the mortgage bank will be made to raise up to one-third of their credit needs on the open market.

The effect on these various changes will take time to absorb, and will be conditioned in no small measure by the overall performance of the economy. Using monetary instruments as the main tools of economic control, the authorities have succeeded *in curbing the growth of* money supply and will, on present predictions, comfortably attain their target of a 17 per cent ceiling on the increase in money for 1978. If the recession does not bottom out soon, the increase will be slower, although the authorities have *already provided for a 2.5 per* cent band on either side of the target. But this has acted as a sharp dampener on demand and new investment is very sluggish.

In the first three months of the year investment grew only 1.3 per cent, just over a third of the pace of the same period in 1977. In fact the banks have the funds but are finding it difficult *to drum up clients.* Everyone is waiting for signs that industrial inventories are beginning to be built up again. So far there is no indication. In the meantime the authorities, faced with depressed domestic demand, are making a *major* effort to stimulate exports by doubling the availability of export finance, largely through the state-controlled Banco Exterior.

Robert Graham
Madrid Correspondent

PORTUGAL

The year of economies

SINCE TAKING office in January, the governmental alliance of Socialists and Christian Democrats in Portugal has seemed prepared to adopt a much more realistic attiude to the deep economic problems facing the country. As the new Minister of Finance and Planning, Dr. Vitor Constancio put it: "If 1977 was the year of politics 1978 must be the year of economies." The political bickering and indecision that preceded the downfall of the minority Socialist Government in December and characterised the month and a half interregnum period that followed, is believed to have cost the country an extra $350m in budget deficit through uncollected taxes and inept administration.

Last year's trade figures put into sharp relief the magnitude of the problems faced by Dr. Soares' new Government. As a result of a relatively higher growth rate (6 per cent) during 1977 than economic circumstances warranted Portugal's trade deficit grew sharply to $2.73bn, representing a more *than 50 per cent. deterioration* compared to 1976.

This trade imbalance was reflected in a worsening payments position. The current account deficit is now estimated to be $1.5bn compared to $1.2bn in pre-revolution days. The situation would have been still worse had the country not experienced marked improvement in its two vital sources of foreign exchange. Gross tourist revenue rose by 60 per cent from $256m in 1976 to $410m in 1977. Net tourist revenue totalled $279m in 1977, representing a 94.1 per cent. increase over 1976.

During the same period expatriate remittances rose by 63 per cent to $1.1bn.

Nevertheless Portugal has had to resort to borrowing from abroad, and also to running down its foreign exchange and gold reserves—what economists here refer to as the country's "last line of defence" against total bankruptcy. Bank of Portugal officials estimate the country's outstanding debt to be just below $5bn mark. Gold reserves during the past year, sold or mortgaged, have fallen from 857 tonnes to 741 tonnes. Foreign currency reserves have fallen from $260m to $111m.

Faced with this situation the Portuguese Government had had no choice other than to accept the conditions laid down by the International Monetary Fund. Differences which had existed between Portugal and the Fund last year were this time round *considerably ironed* out by the Portuguese Government's evident desire to put its house in order before the talks had been officially concluded.

The budget presented to Parliament on March 15 last and approved a month later, introduced tough disciplinary measures known to be favoured by the Fund. These involved tighter control of public and private spending through increased direct and indirect taxation. This year's tax increases — 10 per cent. on ordinary income-tax and estate duties, 15 per cent on capital gains, 20-30 per cent in sales tax and heavier duties on cinema and theatre tickets and tobacco are expected to bring *in over 40 per cent more tax* revenue than last year.

Difference

At the beginning of April the Government bridged a major difference with the Communist-dominated trade union movement after more than two months of negotiations. Union leaders accepted a 20 per cent wage ceiling in return for adequate increases in pensions and unemployment benefits, which are still among the lowest in Europe.

The timing of the announcement on a wages policy, coming as it did just before the implementation of further austerity measures, suggested that the Government had handed a sop to the Communists in return for restraint during the coming months. For the governmental alliance of Socialists and Christian Democrats the agree*ment* represented a major psychological victory over those who thought that its inherent conservatism would lead to open confrontation with the unions.

In fact, despite occasional isolated strikes such as the series of stoppages at the important ship-repairing yard of Lisnave in January, Portugal has experienced a remarkable measure of industrial peace this year. According to Government figures absenteeism this year has fallen from 25 to 5 per cent.

The adoption of a tough budgetary discipline and a strict wages policy was followed at the beginning of this month by the Bank of Portugal's announcement of a 6.5 per cent devaluation in the escudo as a further measure designed to ease the country's balance of payments deficit. Following the 15 per cent devaluation last February, the latest change is expected to make Portuguese exports more attractive to overseas buyers and boost revenue from tourism and expatriate remittances still more.

The fact that the devaluation was formally announced by the Bank of Portugal before any formal comment had been made by the Government on the agreement reached with the International Monetary Fund shows the increasingly central role being played by the Bank in the present drive towards solving the country's economic prob-

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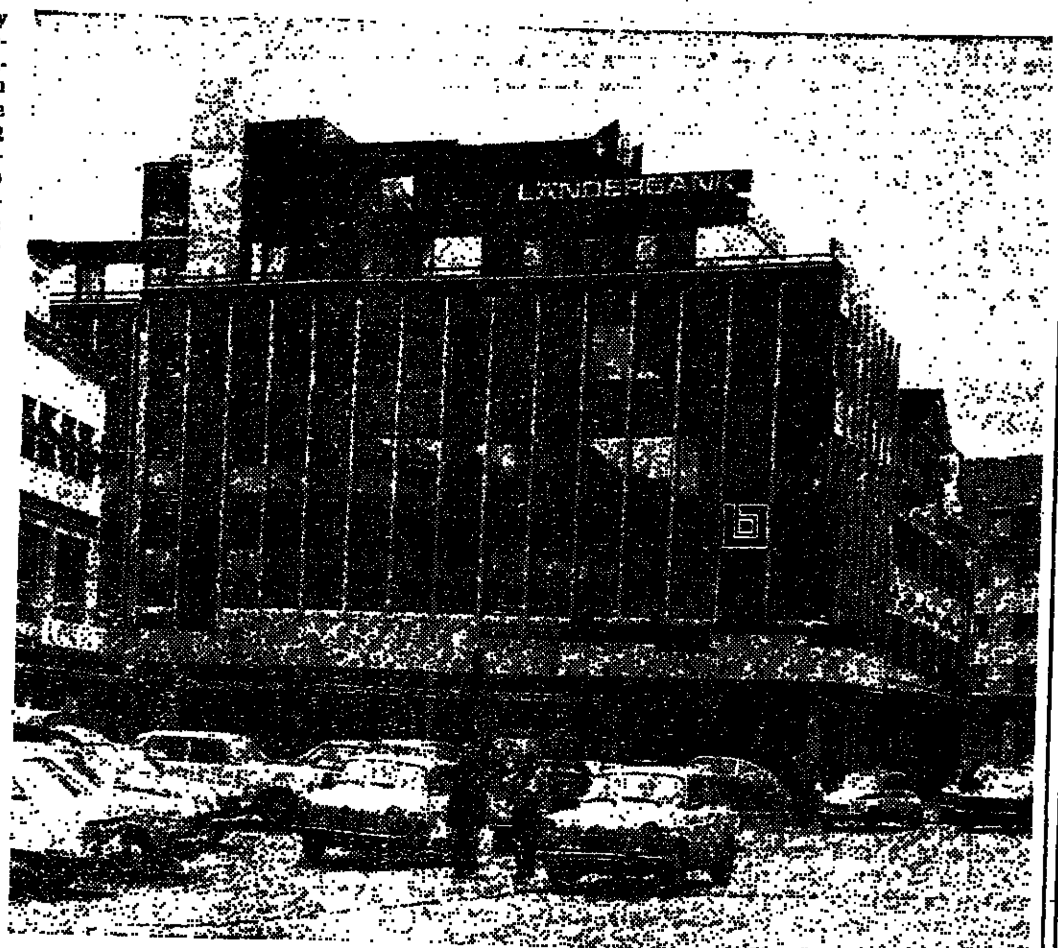
Difficult period ahead

AUSTRIAN ECONOMIC policy this year is faced with the twofold and difficult task of maintaining a restrictive course in monetary and fiscal policy while at the same time protecting full employment and stimulating investment designed to improve the industrial structure. This is a new situation for a country so long accustomed to record - breaking growth rates.

Between 1970 and 1977 Austria's GNP in real terms was rising at an annual rate of 4 per cent. compared with the OECD-Europe average of 2.5 per cent. and was the third fastest growth rate recorded within the OECD. Inflation at 7 per cent. per annum was below the average rate in the West. With unemployment last year averaging 1.8 per cent. Austria's record stands up well when compared with the rest of Western Europe.

But the price paid in the form of exceedingly large balance of trade and current accounts deficits on the one hand and a steady rise in the federal budget deficit on the other proved too high, posing a long-term threat to the very foundations of Austria's post-war economic miracle. The Government introduced a package of restrictive fiscal and monetary measures aimed at reducing domestic demand and the current account deficit—which last year even on an adjusted basis (i.e., excluding leads and lags to the staggering and unexplained total of Sch.20bn.) reached Sch.28.9bn. (about £1.03bn). Though the latest forecast of the Institute for Economic Research indicates that the current account deficit should fall this year by Sch.10bn., both the Institute and the new President of the Nationalbank, Professor Dr. Stephan Koren, are in favour of sticking to the restrictive policies—at least for the time being.



The Laenderbank branch at Dornbirn.

Clamour

It is against this background that the clamour for easing of the liquidity squeeze must be seen. Austria's economic growth dropped from 5.2 per cent. in 1976 to 3.5 per cent. last year and is expected to reach only 1.5 per cent. this year. The rapid growth of the external deficit and indebtedness was the result of excessively high wage increases and expansive budget policies coupled with premature announcements about the impending increase of the VAT on consumer durables from 18 per cent. to 30 per cent; the latter gave an enormous push to demand. The combined measures in monetary and fiscal policies will need to be supplemented by restraint in incomes policy this year.

Although the inflation rate has fallen on a year-to-year basis measured in terms of the consumer price index it has fallen from an average of 7.3 per cent. in 1976 and 5.5 per cent. in 1977 to 3.8 per cent. in both February and March this year, it would be clearly premature to switch from a restrictive to an expansive monetary policy. Meanwhile the Government has given the go-ahead for a large-scale investment drive, backed by interest relief.

Paradoxically, the long delay in revealing details of the measures helped to engender stagnation at the very time when the economy needed stimulus. In a country with one of the largest nationalised and public sectors in Western Europe the steady expansion of subsidised credits contributes to a distorted structure of the capital and money markets.

Moreover this tendency, as pointed out recently by Dr. Karl Pale, Director-General of the Girozentrale, places the small and medium sized companies at a disadvantage vis-à-vis the large groups when it comes to industrial finance. Without changes in the fiscal treatment and legal provisions concerning capital issues the access to risk capital is bound to remain difficult he stressed.

There can be no doubt that the latest investment promotion measures, coming at a time of serious problems in the brewery, paper and textile industries will accelerate rather than retard the trend towards growing State, and thus implicity political influence, even over the nominally still private industrial sectors. It is against this creeping socialisation that Mr. Rudolf Sallinger, chairman of the powerful Federal Chamber of Economy, warned in a recent public statement, adding that the latest investment promotion measures merely return a part of the money taken from the business community only a few months ago by way of increased company taxation and other fiscal levies including the controversial transport tax.

Nothing could indicate more clearly the difficulties of equity financing than the fact that last year only four companies managed to raise a mere Sch.106m. According to a survey compiled by Girozentrale, only 7.4 per cent. of the capital raised during the period 1967-76 by 26 selected companies which accounted for 74 per cent. of the capital of quoted companies.

That is the reason why respected bankers led by Dr. Heinrich Treichl, chairman and director-general of Creditanstalt, Austria's biggest bank, so strongly insist on action against the fiscal discrimination against equity capital. The latest moves by the Nationalbank (the central bank), including open market operations to the tune of Sch.4bn., expansion of refinancing facilities for exports and the reduction of the "penal rate" on the non-fulfilment of minimum liquidity ratios from 5 per cent. to 2.5 per cent., should contribute to a long-overdue reduction of excessively high interest rate levels.

THE MAIN BANKING INSTITUTIONS
(End-1977; figures in brackets 1976)

	Assets (Sch.bn.)	Employ'es
Creditanstalt	123.0 (107.2)	6,032
Girozentrale	103.3 (88.9)	1,410
Laenderbank	73.6 (66.6)	3,183
Zentralsparkasse	61.6 (55.8)	2,189
Postsparkasse	53.6 (44.1)	1,691
Genossenschaftl. Zentralbank	51.7 (43.5)	673
Erste Oesterr. Spar-Casse	42.6 (36.5)	1,782
Kontrollbank	(42.5) (29.9)	231
Bank fur Arbeit und Wirtschaft	40.9 (30.7)	1,210
Volksbanken AG	20.6 (17.5)	399

As a result of the liquidity squeeze last year the call money rate rose from 6 per cent. to 9 per cent. by the end of 1977 and yields in the bond market were 3 per cent. over those in West Germany. Since the end of the first quarter of this year financial commentators have begun to note what appears to be the beginning of a downward trend.

Thus by the end of April bond yields had fallen from 8.29 per cent. to 8.16 per cent. and on the secondary market from 8.8 per cent. to 8.36 per cent. The prime rate on commercial credits is currently from 9.5 per cent. to 10.5 per cent. while consumer credits cost between 11.5 per cent. and 12 per cent. However it is now predicted that interest rates for long-term credits will fall by the summer by a further half to three-quarters per cent.

With inflation at 4 per cent., fixed interest securities have become exceedingly attractive. Those bought under the fiscal privileges granted to small investors up to an annual limit of Sch.100,000 per head produce currently a net yield of almost 6.5 per cent.

The general economic and financial situation and the provisions of the new banking law have combined to give a powerful thrust to competition in the small world of Austrian banking. The projected legislation will replace provisions dating back to 1939 and provide for a strengthening of bank secrecy.

The institution of the anonymous savings account, providing for a tax-free income (nominally at 4.5 per cent. but in the case of larger deposits yielding up to 8 per cent.), and of bearer securities remains under Dr. Kreisky's moderate Socialist Government more than ever a prop to capital formation. The law also provides for improved protection for private depositors and the institutionalisation of "lifeboat" funds to protect depositors in any troubled bank.

But the main effect of the new legislation will be to sharpen competition between the various sectors of banking and to accelerate the trend towards universal banking. The main competitors are the commercial banks, the savings banks, and the farmers' co-operatives. There is, however, also a new situation within the individual sectors. The two large Vienna savings banks, Zentralsparkasse and Erste Oesterreichische Spar-Casse, now have their own merchant bank outlets. Furthermore, they are no longer regionally restricted to Vienna.

Oesterreichische Laenderbank, under the new leadership of Dr. Wolfgang Erndl, has embarked on a merger of its HP outlets which henceforth will operate under the name of "Merkur" bank. Dr. Erndl has also given public notice of his determination to merge OECI (Oesterreichisches Credit-institute), which is wholly owned by Laenderbank, with the parent company in order to rationalise and to improve business operations and administration.

Under the new regulations, codified also in the banking law, the opening of new bank branches has been fully liberalised.. Since last summer 734 new applications have been granted (the total of existing branches is about 4,000). Some bankers privately warn that Austria is in danger of becoming "over-banked," but it is too early to assess the implications of the new law.

And what about the Austrian schilling? The new President of the Nationalbank in his first public statement came out unequivocally in favour of maintaining the strength of the schilling, while resorting primarily to restricting demand and prompting structural changes in order to re-establish the external account equilibrium. The future of the schilling depends on incomes and budget policy. Last year the weighted average of appreciation of the schilling was 6.6 per cent. and the effective rate of exchange in March 1978 was still 4.8 per cent. up on last last year.

Paul Lendvai
Vienna Correspondent

PORTUGAL CONTINUED FROM PREVIOUS PAGE

lems. The support which the Bank has been forced to give the flagging Portuguese economy has virutally made it the nerve centre of the whole Portuguese banking system.

Monetary instruments are a key element in the Government policy, and it is in this context that the Bank of Portugal earlier this month issued credit restrictions and more selective credit controls. On May 5 it announced that its discount lending rate would be raised from 13 to 18 per eent. Accordingly the interest rates on most of the bank's credit operations have also been increased by 5 per cent.

Nevertheless, within the general outlines of the credit squeeze laid down by the Bank it has been emphasised that a high degree of selectivity both with regard to sectors and towards individual banks would continue.

There are special premium deductions, for example, for the "financing of companies which are in serious financial difficulties" but which are considered to be "technically and economically viable," and also for the financing of primary industries like agriculture and fisheries, and exports. The Bank has managed to include the construction business within the category of a labour-intensive activity, and this too will be affected by special premium deductions.

Clearly, in the uncertain atmosphere surrounding the Portuguese economy the banking system will ploy an increasingly crucial role, because beneath the general credit outlines laid down by the central bank it is up to the individual banks to decide who deserves a "life-line" during the tough times ahead.

Insist

The Confederation of Portuguese Industry (CIP), which claims to represent over 35,000 private companies, continues to insist that so long as all the Portuguese banks are nationalised, the private sector will be discrimated against.

In present-day Portgual such fears are perhaps exaggerated. Much has changed since 1975, when it appeared that with the Communist push for power the banks themselves might be lurching towards a Soviet-style State capitalism. Today most banks have recovered the management existing before the revolution and the bank unions once dominated by the Left have only recently elected as their leaders members of the Centre Right Social Democratic Party (PSD).

Portuguese bankers generally recognise that they are now almost as free to compete with each other as they would be if they were still in private hands. In the case of foreign trade finance they can still seek the markets they wish.

What remains to be seen is whether in the difficult period that lies ahead the country as a whole can accept the sense of balance that has been re-established within the banking sector. Four years after the revolution, confidence in Portugal's capacity to survive remains naturally enough dependent on the capacity of unions and management to bury their differences and heed the Minister of Finance's blunt warning that the economy comes first.

Jimmy Burns
Lisbon Correspondent

SWEDEN

Slow recovery forecast

DEVELOPMENTS DURING the first quarter of this year suggest that the downturn in the Swedish economy has probably hit bottom and is moving into a slow recovery. The favourable signals have come from the foreign trade front. The order books of the export companies have started to rise, although the improvement does not extend to all branches. Even more positive is the switch in the trade balance to a SKr 2bn surplus for the five-month period to the end of March compared with a SKr 4bn deficit for the corresponding period a year earlier.

The trade figures are taken as showing the effectiveness of last year's krona devaluation. The gains, however, are being made from a very low level and the order books, particularly those of most engineering companies and the pulp and paper mills, are still insufficient to ensure a high level of capacity utilisation. No professional forecaster has yet predicted that industrial output, which has fallen for three years in succession, will increase this year.

Decline

The domestic market remains weak. Private consumption is expected to fall for the second year running, as is industrial investment. The decline in demand for imports, which have been running in recent months at a much lower level, has contributed strongly to the improvement in the trade balance. After the 2.5 per cent decline in GNP in 1977—the first since the war—most 1978 forecasts anticipate a slight growth of perhaps 1 per cent.

The non-Socialist coalition Government, which pushed through the August devaluation and accompanying deflationary measures against the call for a more expansionary line from the Social-Democrat Opposition, is now scenting triumph for its economic policy. The abolition of the remaining 2 per cent employers' payroll tax from July suggests that it is even ready to ease its deflationary line. The current trend also indicates that it will succeed in holding price increases below the level at which under the 1978 central wages agreement the unions could ask for compensation.

The economic recovery will have to be sustained, however, if it is to help the non-Socialists in the 1979 general election. The key question is whether the growth in export demand will be strong enough for the export industries to regain lost market shares. The devaluation and a fairly moderate wages settlement have improved the relative cost position of Swedish companies but it remains to be seen whether the improvement is large enough.

On the financial side prospects depend on two factors, the development of the payments balance with its accompanying foreign borrowing requirement and the budget deficit, which has reached unprecedented proportions. Since fiscal and monetary policies will be largely determined by the need to manage the two deficits, they will be central to the operations of the Swedish banks this year.

The payments deficit and the foreign borrowing requirement have been affected by one real and one mathematical change. The mathematical development is the reduction in the deficit estimates as a result of criticism of the Riksbank's statistical methods. The Riksbank, without following its critics the whole way, has conceded that it has over-estimated the deficit in the past. The real development is the unexpectedly swift improvment in the trade balance.

If the current trend is maintained the result of this twin development would be to cut the 1978 payments deficit from the Kr16-17bn ($3.4-3.7bn) forecast in the national budget to less than Kr10bn. The net foreign borrowing requirement is assumed to be roughly in line with the payments deficit.

In 1977 Sweden took up foreign loans of around Kr 21bn, of which the state was responsible for Kr 9.8bn. It was assumed at the beginning of this year that in 1978 the State would be borrowing roughly the same abroad as in 1977. This assumption may no longer be correct, even though the final figure will depend on how the budget deficit is managed.

In the revised budget the 1978-79 deficit has been increased from Kr 32bn. to over Kr 40 bn. The inflow of foreign currency into the reserves, which had risen from Kr 11bn. at the time of the devaluation in August to Kr 18bn in the middle of April, and the growth in the budget deficit have had a very powerful effect on the banks' liquidity since the autumn. The Riksbank has twice raised its demands on the commercial and savings banks' liquidity ratios this year.

It has also reduced its discount rate twice, by half a point each time, to the present level of 7 per cent. In each case it underlined that its action implied no change in its tight credit policy but was designed to adapt to the changed liquidity situation in the money market.

The decline in the short-term interest rate has not affected long-term rates. The widening of the interest gap is designed to switch funds from the short to the long-term market and facilitate the financing of the budget deficit. The increase in the banks' liquidity ratios is intended to have a similar purpose.

The sum of these measures is likely to be a boost to bank profits in 1978 despite the restrictions on their lending. Their placement margins, narrowed last year by the high discount rate, will be improved. The banks have also been favoured by the abolition of the payroll tax and the moderate increase in staff salaries resulting from the central wage settlement. At the same time their foreign business, which has expanded swiftly over the past three years as a result of Sweden's increased reliance on foreign loans, will continue to generate good earnings.

Last year the commercial banks increased their operating profits by 4 per cent, a smaller rise than has been usual in the 1970s. Moreover, this increase was attributable solely to the growth in the volume of the banks' business, while the return on the deposits available was some 20 per cent below the 1976 level.

Profitability—measured as a return on equity after tax—dropped from 13.1 per cent in 1976 to 12.4 per cent and in their annual reports most banks renewed their complaint that their earnings were not enough to compensate for the rate of inflation. This year prospects would seem to be brighter.

William Dullforce
Nordic Correspondent

SINGAPORE

Offshore market shows the way

THE OFFSHORE market was the mainstay of banking activity in Singapore last year while domestic banking remained in the doldrums. The excitement lay in the Asian dollar market which continued to grow both in breadth and depth. This enhanced Singapore's image as a financial centre. Domestic banking on the other hand faced relatively quiet times, with local banks awash with funds and running over each other to find takers from the manufacturing and other sectors.

The Singapore economy grew by 7.8 per cent. in 1977. The financial sector played a significant role in this growth with a contribution of 14 per cent. to Gross Domestic Product. As the statistical measure used included insurance companies, the stock market and property as well as business services, the actual contribution of the banking sector was probably even higher since there were declines in both the stock market and private property development.

Money supply M1 grew by 10.3 per cent. last year while M3, the broad definition, grew by 11.1 per cent. Of the 76 commercial banks operating in Singapore at the end of 1977, 13 are locally incorporated banks while the rest are foreign. On balance the influence of the foreign banks on the domestic market remains strong.

This was evidenced by the latest available figures for 1976. Total assets of the commercial banking sector grew by S$12.8bn or 25 per cent in 1976. The foreign banks were responsible for 83 per cent. of the increase. At the the time they controlled 81 per cent. of total assets.

In fact Citibank's Singapore branch was the largest Singapore bank in terms of assets.

However, local banks seemed to enjoy higher profitability with Overseas-Chinese Banking Corporation in the lead in 1976 with S$22m. This compares favourably with Citibank's profit of S$15m.

Sluggish

Despite the strong growth of the domestic economy last year, local banks did not have the best of times in profitability. With a highly liquid economy and loan demand growing at a slow pace, the banks were caught in an interest tunnel which was moving downwards. Gross domestic capital formation rose by a niggardly 3 per cent. last year compared to 10 per cent. in 1976. With large deposit bases and manufacturing investment sluggish, it was inevitable that the locally incorporated banks had uninspiring performances.

The second tightening in the inter-bank market in the last two months of 1977 was eliminated when the Monetary Authority of Singapore introduced a new "swap" facility and injected S$120m. into the market. This has kept interest rates low and appears to fit the objective of making available cheap funds as an incentive for increased investment.

The authorities have also provided other incentives to boost economic expansion through monetary policy. While the manufacturing sector contributed less to economic growth last year, trade remains a pillar of the economy. The Monetary Authority reduced the rediscount rate for export bills from 4 to 3 per cent. Cheaper financing for exporters has encouraged more activity and the gross value of bills rediscounted rose to S$1.1bn—more than twice the S$482m. of 1976. Other schemes to help industry include ship financing and small industry finance schemes.

A major non-bank financial institution with strong growth is the Post Office Savings Bank, which has seen its deposits rising 17 times from S$91m in 1971 to S$1.6bn at the end of January last. The strength of this institution is shown by the 1.36m. accounts it has attracted in a population of only 2.2m. besides a high level of efficiency in service which has attracted many depositors, this institution also enjoys the ability to give tax-free interest to depositors.

The profit picture is expected to look better this year. The authorities are considering alteration of the tax-free interest benefit enjoyed by depositors of the Post Office Savings Bank.

The businessman's budget announced in March last should stimulate the economy and the banks seem likely to overcome the pincers of high liquidity and low demand. There are signs that the interest tunnel has turned upwards to their benefit.

Several of the top local banks also have extensive banking operations in Malaysia. Malaysian assets accounted for between 23 to 38 per cent. of their total assets. The strength of domestic demand this year is expected to generate increased loan activity and Malaysian operations are expected to contribute substantially to overall growth.

It is in the Asian dollar market, however, where the star performance is found. Volume crossed U.S.$21bn. at the end of 1977 despite soft loan demand in international markets and the lack of volatility in world interest rates which has affected the level of inter-bank activity.

The strength of the offshore market reflects several measures taken by the authorities to stimulate the market, as well as developments in the competing centres of Hong Kong and Manila. Earlier on the authorities had reduced the stamp duty on negotiable instruments from an *ad valorem* rate of 0.5 per cent. to a maximum stamp fee of S$500.

In July last year the concessional rate of 10 per cent. on offshore income derived from the activities of Asian currency units was extended to cover more services provided by such units. These services include advising and confirming of offshore letters of credit, placements with non-Singapore borrowers and the financing and re-financing of offshore third country transactions.

Expenses

Early this year banks were allowed to apportion their operating expenses in proportion to their total Asian currency unit income. This is a strong stimulant to the offshore market since local banks will be encouraged to take on more offshore loans. In doing so they will benefit from lower tax charges as a result of the concessionary tax rate. In addition, it was made clear that Asian dollar depositors are not liable for estate death duties.

The authorities have often stated in public that they treat Hong Kong as a market complementary to Singapore. Nevertheless the various incentives which have been offered in the last 18 months would appear to indicate that while the two markets may be complementary the element of competition cannot be altogether ignored.

The measures are geared towards more inter-bank activity in the Asian dollar market, development of a stronger primary market for syndications in Singapore, greater depth in the secondary markets for the syndicated instruments, initiation of more advisory services from Singapore and encouragement of more transactions in currencies other than the Singapore dollar. For some time it has been evident that Hong Kong has enjoyed a headstart on syndications; around 60 per cent. of the Asian issues are believed to be syndicated there.

The big market makers in the Eurobond market — Salomon Brothers and Credit Suisse White Weld—have set up offices in Hong Kong. In addition one merchant bank has reduced its operations in Singapore. One

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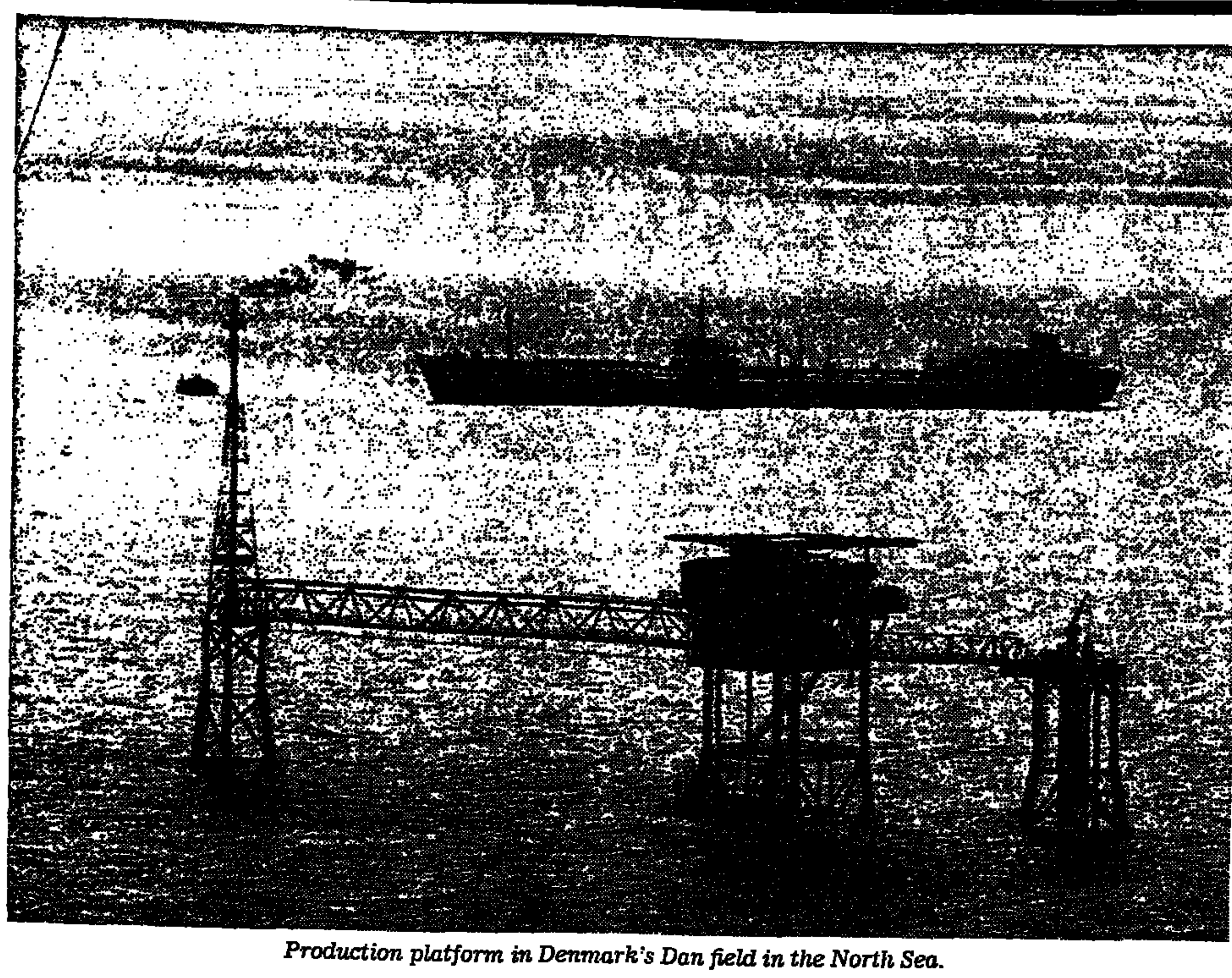

Production platform in Denmark's Dan field in the North Sea.

Restrictions prove unpopular

THIS YEAR will probably bring a small improvement in Danish bank earnings after last year's recovery from a disastrous 1976, when falling security values caused several banks to show losses. But the mood of the banks is nevertheless not particularly optimistic. They feel themselves hampered by unnecessary restrictions introduced by the politicians and are not too happy with the trend of earnings over the past five years.

For the big three commercial banks—Copenhagen Handelsbank, Danske Bank and Privatbank—operating profits before depreciation in 1977 were either lower than in 1973 or, in Privatbank's case, about 15 per cent higher. But in the same period total assets have almost doubled. The trend on earnings is reflected in share prices. Handelsbanken's fell from 205 at the end of 1973 to 129 at the end of 1977, Danske Bank's from 215 to 126 and Privatbanken's from 225 to 134.

Big swings in the net earnings of the banks are caused by the practice of booking unrealised gains or losses on security holdings as they appear on the final trading day of each year. Consequently the banks showed large net profits in 1975 and an even bigger drop in earnings in 1976, but Privatbanken pointed out in this year's annual report that only in one of the past five years have net earnings enabled the bank to consolidate its financial position after allowing for inflation. This is undoubtedly also true for the other main banks.

The banks attribute the deteriorating results partly to the generally difficult economic situation, in which a large current balance of payments deficit has forced the Government to allow interest rates to rise to a very high level. Interest rates today average about 14 per cent on bank advances and almost 17 per cent on mortgage bonds. But they attribute their difficulties also to political attempts to control bank earnings and to selective credit controls.

The most fundamental intervention, as seen by the banks, is the ceiling on bank advances (loan commitments) which has been in operation in one form or another for some 10 years. The authorities use the ceiling, which over the past few years has been adjusted upwards by 8 per cent a year, to ensure a orderly expansion of credit, especially at times when the money supply has risen unduly rapidly. The banks, however, feel that it forces them to behave increasingly like investment institutions, as they are forced to place excess deposit money in the bond market.

A potentially more dangerous intervention, again in the view of the banks, was the attempt to apply an incomes policy to the banks by means of limiting the spread between interest on deposits and advances to the average of the spread in the three years 1972-74. At a time when deposits expanded rapidly, notably in 1975-76, while advances were under restraint, this inevitably squeezed earnings on lending and deposit business. On the other hand, in the view of some observers of the banking scene, this also caused the rather conservative Danish banks to make better use of other potential sources of income, especially from foreign business, and to improve their efficiency in general.

Legislation

The legislation limiting the spread had other unfortunate effects and it will probably be dropped when the current legislation expires in March next year. But it will probably be replaced by legislation placing the banks, collectively and individually, under the supervision of the price-controlling monopolies authorities. This is where the potential danger from the spread legislation really arises. Some bankers feel that after the politicians have tried once, and failed, to implement an incomes policy for the banks, they will try something even more drastic next time.

According to this theory, supervision by the monopolies authorities will be used to introduce detailed controls of banking costs and hence also investments. It was in the spirit of this pessimistic scenario that Handelsbank wrote in its annual report: "If banks are to perform their tasks, it is absolutely essential that the legislation enacted in coming years does not disrupt the free enterprise structure of the banking system and allows it to function on the principles of open competition.

The alternative view of the implication of placing the banks under the supervision of the monopolies authorities is that it is a face-saving formula for the politicians and that the banks will in fact be far freer to operate than at present. Only time will tell.

One of the unfortunate side effects of the spread legislation was to force up bank lending rates. Banks taking large short-term deposits on special terms from local authorities and large corporations at high interest rates dictated by tight liquidity conditions were allowed to include the interest rates on these special deposits in the calculation of the spread. Interest rates on these special deposits often rose to over 20 per cent. As a consequence interest rates on advances were automatically pulled up.

The Government at the end of last year proposed legislation setting a maximum interest rates on deposits of the discount rate plus 3 per cent, but the banks and savings banks instead made a voluntary agreement limiting the deposit rates to the discount rate (9 per cent) plus 4 per cent and the Government dropped its own proposal.

While the banks thus averted a new political intervention they—and especially the large banks—now find themselves facing a tricky liquidity situation. There is now a difference of about three-and-a-half per cent on the rate obtainable on bank deposits and the going rate of medium-term State bonds, and this has tended to switch the interest of those with money to place from the banks to the market in Government paper for a short period.

This situation may have wider implications for the conduct of monetary policy. There are two reasons why interest rates are at their present levels. One is the necessity to finance the external deficit through substantial private sector capital imports. The other is because the State is having to sell large amounts of paper to finance a borrowing requirement which in the fiscal year 1978-79 will be about DKr 32bn.

Liquidity

The M2 money supply rose by 9.8 per cent last year and the Government and the central bank, without announcing explicit targets, aim to keep the growth of M2 this year below the level of the increase in the nominal national income. Up to March they were succeeding. M2 was only 7.5 per cent higher than in the corresponding month last year.

It is possible, however, that in order to meet the liquidity needs of the banks the authorities will sell less debt paper. In March and April only about a third of the budget deficit was financed by the sale of Government bonds, and the banks were able to reduce their debt to the central bank. Both the central bank and the Government, however, say that whatever monthly fluctuations there may be in the monetary financing of Government debt there has been no change in their determination to finance the bulk of the borrowing requirement from the non-bank sector and to keep the growth of the money supply under continued tight control.

This policy objective also seems to be reflected in the behaviour of the bond market. Following the agreement to limit bank deposit rates there was a small rise in bond prices, but today they have fallen back to their level at the beginning of the year. The key influence on thinking in the bond market is the development on the current balance of payments.

The external deficit was reduced to DKr 10bn last year from DKr 11.6bn in 1976 and the Government intends to bring it down to DKr 7bn this year, but the first quarter trade figures were disappointing and even the optimists now expect a 1978 deficit of DKR 7.5bn-8bn.

The current balance has been in deficit in every year since 1963 and the net foreign debt of DKr 51bn at the end of 1977 was equal to about 18 per cent of the Gross Domestic Product. A steady reduction in the deficit each year is therefore regarded as absolutely essential by the Government, and even with unemployment running at almost 10 per cent it is still prepared to squeeze the economy in order to bring about the improvement. The bond market is therefore convinced that there will be no relaxation of monetary policy, even if the squeeze on liquidity in some of the largest banks begins to hurt.

Hilary Barnes
Copenhagen Correspondent

SINGAPORE CONTINUED FROM PREVIOUS PAGE

major American bank is believed to have decided last year that on balance its merchant bank would fare better in Hong Kong than in Singapore and has acted accordingly.

But Singapore may well have the last laugh. The incentives offered recently will make for happier times for those who have decided to stay in Singapore. Indeed, a major market maker, First Boston, opened an office in Singapore late last year.

The Asian dollar market has continued to grow since the end of 1977 and by April last, was standing at $U.S.22.8bn. During the first four months of this year the volume of fixed-rate Asian dollar certificates of deposit floated by 20 banks have exceeded $U.S.450m., representing a spurt in issuing activity.

In addition, US$120m. of floating rate certificates of deposit have been issued by seven banks.

Secondary market activity has also picked up, with US$364m. of securities traded. This augurs well for the market and may indicate better things to come.

In the foreign exchange market the average daily turnover is about US$1bn., compared with US$340m. three years ago. Loans have tended to grow faster than deposits and there is an increasing reliance on external funds.

Despite these elements of growth the offshore market in Singapore is still one-tenth the size of the London market and the volume of assets is only about 3 per cent. of the total market in offshore dollars.

The potential for growth remains good. Communications are reliable, the economy remains on a growth path, political stability is in evidence, and Singapore remains committed to the development of the professional expertise and confidence required to build up a strong international financial centre. Just a few weeks ago the Finance Minister announced the liberalisation of all exchange controls. This gives another fillip to the market and reflects the confidence of the authorities in their ability to control domestic economic growth despite the fluctuating pressures that may arise from the flows of "hot" money in and out of the monetary system.

The inauguration of the offshore market in Manila has not drawn business away. Most dealers take the view that Manila remains a relatively small market but there are indications that it could play an important role in the syndication of loans for the ASEAN countries.

The possibility that the Hong Kong authorities might tax offshore transactions could well make the Singapore market even more attractive. All in all, bankers in Singapore should be laughing all the way to and from their offices.

Poh Thian Ser
Business Times, Singapore

Radical changes in structure

YUGOSLAVIA'S complex banking system has just undergone a radical reorganisation along the lines laid down in the 1974 constitution and subsequent legislation.

Under this reorganisation the former large banks have been split up into several so-called basic banks which in turn have agreed among themselves to establish new groupings of so-called "united" or "associated" banks which are in some respects heirs to the former larger banks but in others are very different.

Each of the country's six Republics and the two autonomous provinces has its own united banks while there are three other specialist united banks based in Belgrade.

These are the United Jugobanka (Udruzena Jugobanka), specialising in foreign trade; the United Agricultural Bank (Udruzena Poljobanka) and the United Export and Credit Bank "Beograd." These cover Yugoslavia as a whole. One of the former big banks, the Yugoslav Investment Bank of Belgrade, did not become a united bank. It merged with another Belgrade bank and is now a basic bank—bigger than many united banks. It is a member of the United Belgrade Bank system under the name Basic Investment Bank (Osnovna Investbanka).

The difference between the old big banks and the new united banks is that the latter will perform banking operations only to the extent to which their member banks authorise them. The kind of powers delegated by basic banks to the united bank they establish differs from bank to bank, some having very broad and others very restricted delegated powers.

Generally speaking united banks will have two main fields of activity: foreign banking transactions on their members' behalf and the pooling of resources for very large projects which an individual basic bank cannot finance itself. Where even a united bank cannot cope with the size of a project, consortia of banks have been envisaged.

United banks operate with resources—in local or foreign currency—which member banks put at their disposal. All the resources a united bank gets abroad have to be turned over to the member banks on whose behalf they were borrowed, or used for financing agreed projects with strict delineation of each member bank's share in them.

A united bank must not keep hold of resources of the member banks but has to use them to settle their outstanding liabilities abroad. In some cases a united bank may exceptionally take a short-term credit, say to overcome a liquidity squeeze. No matter what it does its members are liable for its obligations according to the terms of their agreemnt. Normally, a united bank has no funds of its own, and it does not deal with clients on its own behalf.

For the foreign partners of Yugoslav banks united banks will be the most conspicuous link in the banking system. They will mostly have contacts with them as organisers of foreign operations for their member banks although there is no obligation on a basic bank to be a member of a united bank or to perform its foreign operations through it. But in practice this is likely to be the rule.

The most important financial institutions in Yugoslavia are the 160 basic banks. The philosophy of the Yugoslav economic system is that there should be a close link between production and banking with the producers having a decisive say in all matters and the banks providing the expertise. They should be neither too big to be effectively managed by their members nor too small for their lending potential to be inadequate.

Proportions

All this is easier said than done. In practice there still are many doubts as to the number of basic banks and their size. It seems that some of them are too big and should be split into several smaller basic banks, whereas some are of miniature proportions and should either merge or join bigger ones. In establishing basic banks ambitions of local communities have often been playing an important role. Each town and commune wants its own basic bank not only for prestige but also as a vehicle to influence decisions of companies and banks — although in theory they should refrain from such behaviour.

The same holds good for united banks. Here it is the republics and provinces which want "their" united bank. Although the Yugoslav market is one and its unity is protected by law, and although all banks no matter where located may perform all banking operations all over the country, most think that it is wiser to have their own financial institution of the united bank type.

Sometimes attempts are made —short of directly breaking the law—to secure a monopolistic position for that institution in a given territory. The rationale behind it is that "foreign" banks, i.e. those from other parts of the country, do not pay the same attention to the needs of all regions where they operate but concentrate resources mobilised in various places to satisfy first the requirements in their own region.

There is some truth in this allegation. The explanation most often put forward is that the production sector has not yet gained enough control over the activities of the banks. Were that the case, the argument goes on, it would not be possible to use resources mobilised in one region to finance projects in another without the consent of the producers who would in most cases demand that the financial resources be used on the spot.

Therefore the campaign for strengthening the production workers' influence in the banks which started several years ago is still being vigorously pursued and will continue for some years to come until the banks are transformed not only in form but in substance to conform to adopted political decisions and philosophy.

The weakest and the least developed institutions are the so-called "internal" banks. They have been designed as the first link in the banking system, their main task being to pool together the resources of a company's basic production units, the basic associations of labour (BOALs) for various aims like investment and overcoming cash flows problems in individual BOALs. They are in fact only quasi-banks, as they do not perform many banking operations.

So far, however, very few companies have established their internal banks, one drawback being the scarcity of qualified personnel. There is still much searching for their appropriate role in companies, for their linking with the basic banks and their inclusion in the banking system.

Among new developments in Yugoslavia it should be mentioned that foreign bank representative offices are now allowed and several big banks have shown interest in opening offices. In addition the new joint ventures legislation passed last March foresees joint ventures in banking as well as in production and some services but stipulates that this will be regulated by a separate Act. That is expected soon. These two pieces of legislation, it is hoped, will stimulate the interest of foreign banks in Yugoslavia, which is eager to attract more foreign capital and technology.

Aleksander Lebl
Belgrade Correspondent

	1976	1977	%
	(In billions of Lire)		
Total Deposits	2.541	3.253	+28%
Capital and Reserves	131	161	+23%
Total Assets	4.638	6.156	+33%
Profit	26	39	+50%

FINLAND

Optimism tinged with caution

THE FINNISH economy may at last be once more turning upwards. The improvement will be small in the current year, and even that forecast is hedged with reservations after the premature predictions during the past three years of an end to the economic depression. The Economic Division of the Ministry of Finance foresees a 0.5 per cent. increase in the Gross Domestic Product this year. Modest though this may be, it is better than the 0.75 per cent. contradiction in 1977.

Mr. Raimo Ilaskivi, managing director of the Industrial Bank of Finland, president of the Helsinki Stock Exchange and chairman of the Finnish Bankers' Association, puts it this way: "We can take a more optimistic outlook but we must not be over-optimistic. As long as we feel that the situation can be improved we can take the necessary action. We can create a better psychological atmosphere."

In fact, the industrial sector is far from over-optimistic and expects further action from the Government which has been dilatory in its rescue operations and shows no signs of changing its attitude. At least a half of what it has given in the form of tax and other reliefs has been taken back in the form of additional charges on corporations. However, there are economists who think that the Government's plans must be given time to work.

There have been three mini-devaluations of the Finnish mark in the past 12 months. The basic interest rate has been lowered by 1 per cent. twice, which is almost sensational in Finland where the discount rate, as it is called, is almost sacred. But the depreciations in the in the value of the mark have been more or less forced by adjustments in the value of the other Scandinavian currencies—although the Bank of Finland denies this—and the interest rate adjustments have been motivated by political rather than monetary reasons.

Devaluation

The first two devaluations—5.7 per cent. in April and 3 per cent. in August 1977—did not satisfy industry, especially the forest industry. Then, following the change in the external value of the Norwegian krone in February this year, the Finnish mark was devalued by another 8 per cent. The trade unions, already appeased with a 1 per cent. unit reduction in interest rates in August 1977, now demanded and received a further 1 per cent. reduction in May this year.

Mr. Filip Petterson, chief general manager of the Bank of Helsinki, said after the reduction in interest rates from May 1 had been announced: "This is a decision that was taken without consulting the banks, which is surprising since deposit rates must be reduced from the same date. . . . Savers must have some motivation for saving, otherwise their money will be dissipated on unnecessary consumption." The Government, he said, has taken various steps to encourage savings. The trouble is that these new accounts are too complicated.

The other trouble is one that has existed for many years. The Treasury is offering 5-year bonds at 9.5 per cent. and 10-year bonds at 10.5 per cent., both with interest and principal tax free. The best that the commercial banks can do is 8.25 per cent. plus certain premiums for 36-month deposits. The bank savings are also exempt from tax. However, the savings ratio (savings in relation to the disposable income of households) is still less than a half of what it was two years ago.

Competition

The competition between the deposit banks themselves and with the Treasury is fierce. The commercial banks no longer have to worry too much about demands for investment credit. There is too much idle capacity in Finland and will be throughout this year. But the need for working capital is still acute. The number of bankruptcies in medium-sized businesses seems to be increasing. Indeed one or two fairly large companies have had to be taken over temporarily by the commercial banks, their main creditors.

The latest gimmick in the inter-bank competition is the offer of personal housing loans, which seems astonishing in view of the still tight money market. One commercial bank offered to provide the full financing for a dwelling unit if the borrower had 20 per cent. of the cost price in a savings account. The Bank of Finland stepped in and said that 30 per cent. must be the lowest limit. The aim behind this liberal lending policy is to attract new clients; those who are given credit today will remain customers in the years ahead.

The State must borrow an estimated Fmks. 4.5bn. (£587m.) this year. Roughly Fmks. 3bn. of this, it is thought, will be raised abroad. To take the other Fmks. 1.5bn. out of the already pressed domestic financing market will be a disturbing factor. Apart from anything else, eight industrial companies have announced share issues this year — last year there were none. This is more competition for the small financial resources available.

But it is also a healthy sign that turnover on the Helsinki stock exchange had doubled by the end of last month compared with the first four months of 1977. This is usually a reflection of confidence that the cyclical trend is changing.

Fmks.3bn. (about £391m.) is no small sum to add to the net foreign debt which stood at Fmks.27bn. at the end of last year, 22.5 per cent. of the GDP compared with 21 per cent. at the end of 1976. But most of the increase was due to the devaluations. Debt servicing costs rose to Fmks.4.6bn., 12 per cent. of gross current receipts.

This brings up the old question of Finland's creditworthiness. The most recent statements from foreign bankers and assessors indicate that Finland's reputation is still good in the international credit market. The Industrial Bank of Finland recently floated a bond issue in units of account which was originally offered with a 7.5 per cent. coupon and finally marketed at 7 per cent. It was over-subscribed 10 times.

After a stubborn defence of the Finnmark for over three years, the Bank of Finland finally accepted the two mini-devaluations last year and a third in February this year. In

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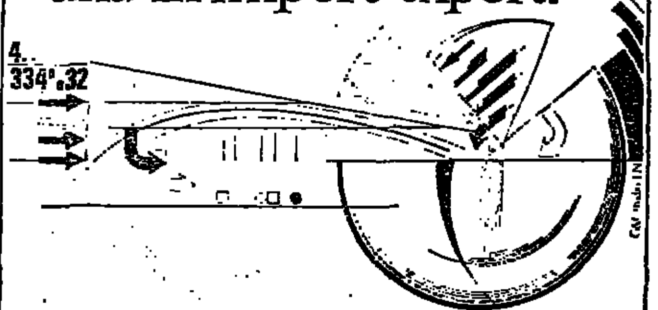

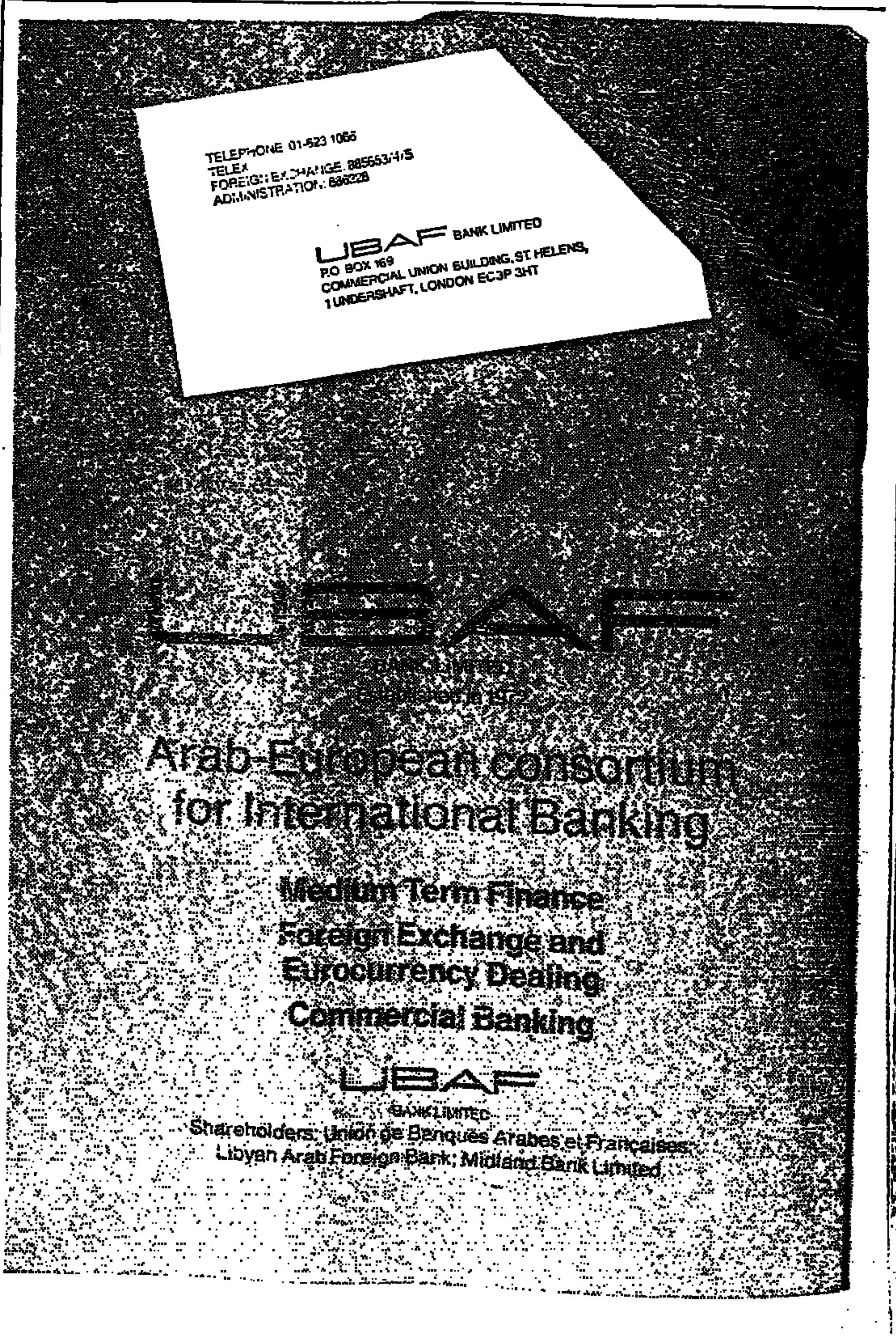

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Impact of the new Bank Act

CANADIAN CHARTERED banks gave a strong performance in 1977 and in the first few months of this year have shown further strength in profitability. Reasonable asset growth combined with improving productivity gave them an average 20.8 per cent increase in profit last year, and they fared slightly better than that in the first quarter of 1978. Total assets increased by 18 per cent last year, led by continued strong growth in foreign assets, which gained 26 per cent, of which just over one-third was a result of favourable foreign currency translation gains resulting from the lower value of the Canadian dollar.

While the strength in domestic asset growth has moderated from the high levels of the previous two years, this was not unexpected in view of the sluggishness of Canada's economic recovery. Loan demand from both consumers and corporations has moderated from the 20 per cent rates of growth of the past, and at present is showing an increase of only 14.6 per cent from a year ago.

Slowdown

Although recent banking statistics indicate a substantial slowdown in business lending, the figures are deceiving because of the substantial increase in the issue by corporations of term preferred shares and income debentures to the banks instead of the use of normal bank lines of credit. These provide non-taxable income from banks, allow the corporations to borrow at the lower interest rates and are not classified as business loans but rather as security for money loaned. Income debentures are not new: they were used extensively immediately following the 1929 financial crisis. For quite different reasons they have returned to favour recently.

The interest on an income debenture is deemed to be a dividend in the hands of the creditor, thus making its receipt tax free to any creditor, that is another corporation, resident in Canada. This has been defined in the Income Tax Act since 1935. After the 1929 financial crisis many creditors were forced to convert their fixed interest loans into contingent interest loans rather than see their debtors go bankrupt. But the more recent income debentures involve financially strong borrowers, not weak ones.

A term preferred share is a more recent phenomenon that is not defined by tax law, but it has many attributes of debt. For example, the shares may be very short-term in nature, having flexible dividend rates during the term through paying dividends at one-half the prime lending rate plus 1½ percentage points. They rank ahead of any other shares as far as dividends are concerned, have preference to net assets on liquidation and are redeemable at the creditor's option at a price that reflects the issue price plus accumulated unpaid dividends. Such dividends are also tax free in the hands of the creditor.

The growing use of such instruments has probably been one of the biggest changes in banking operations in the past year, but other major changes will be forthcoming as a result of a revised Bank Act that was tabled in Parliament last Thursday night—more than a year after it should have become law and two years after presentation of a White Paper. The new Act will affect every major financial institution in the country, the banks themselves, the near banks, such as trust and loan companies, the credit unions, the caises populaires, sales finance companies and the so-called suitcase bankers who are representatives of foreign banks, but not to the extent that had been expected.

Some changes proposed in the White Paper that could have dealt the trust and loan companies a blow were withdrawn in the final Act. It had been feared that the struggle between the banks and the trust companies for business would have been conducted against a backcloth of what many economists believe will be a bleak economic picture during the next five years. They believe it will be a period of high unemployment and high inflation, slow real economic growth, shorter business cycles with sluggish expansion and deeper troughs and a lack of strong Government leadership. In such an environment trust companies expect to face weaker demand for residential mortgages (this has become very noticeable in the past few months) and more competition from other mortgage suppliers, which will mean possibly greater risks in their mortgage portfolios.

The near banks currently offering cheque privileges to customers must maintain a clearing balance with one of the chartered banks. This clearing system has in the past been satisfactory to almost everyone except the federal Government bureaucrats, who without any prompting from the near banks, wanted to give them some say over the largely automatic process of cheque clearing. In return the near banks will be forced to place on deposit at the Bank of Canada certain reserves on their chequing deposits, reserves which unlike their present reserves of high quality commercial paper and Government bonds, will earn no interest.

This would have resulted from the formation of the Canadian Payments Association, a new cheque clearing organisation which for the first time would have given the near banks a say in the way clearing is managed. However, the new Bank Act says, the near banks do not have to join if they do not wish.

Lobby

Because of their fears, the trust companies plan to lobby strongly and constantly both provincially and federally once the revised Bank Act becomes law to get trust company legislation changed so that they can compete on more equal terms with other financial institutions. Revision of the Trust Companies Act and the Loan Companies Act will follow a year or so later, after the new Bank Act is law. The Trust Companies Association of Canada has already made a submission on the changes it would like to see in those acts. For instance they would like to be able to operate with the same leverage as the banks, which at present operate at 30 times capital, whereas trust companies are permitted to operate at only 20 times capital.

The strongest opposition to the proposed requirement that near banks should have reserves on deposit with the Bank of Canada has been voiced by the credit unions and caisses populaires, which are outraged not only by the threat of losing some of their income but by the federal encroachment on provincial jurisdiction. They obtain their charters from the various provincial governments but have been a growing force in the financial community in the past few years, to such an extent that they soon will go to the European market to borrow funds.

It is in the field of financial leasing that the most bitter struggles have taken place. The White Paper proposals would give the banks the right to engage in the financial leasing of major items. This would seriously affect sales of finance and leasing companies since their capital costs are higher than those of the banks. The banks at present are indirectly engaged in leasing in a small way through subsidiaries. The freedom to gain direct entry into the field could, the leasing companies say, deal them a crippling blow.

A foreign bank will be allowed to set up banking subsidiaries with a maximum of five Canadian branches—but only if Canadian banks get reciprocal treatment in the foreign bank's home country. The total assets of foreign banks will not be permitted to exceed 15 per cent. of total Canadian bank commercial lending, and they will be limited in asset size to 20 times their authorised capital. For the time being the Government intends to limit the total assets of each foreign bank to Can$500m. This will be renewed at intervals.

There are about 35 to 40 foreign banks that borrow on the Canadian money market and they have total assets of Can$3.3bn. They currently operate under provincial government legislation, but now will be federally controlled.

Finance Department officials say the reciprocal treatment conditions will make it difficult for American banks from certain States and Japanese and Swiss banks to set up subsidiaries in Canada because of restrictions against Canadian banks in those States or countries. However, British, West German and French banks, among those of many other countries, will be free to set up banking subsidiaries.

Essentially, the new Act's provisions on foreign banks are in line with the tenor of the White Paper proposals. The latter were generally more welcomed by the foreign banks than by the Canadian banks but they were not happy about the size and growth restrictions.

By the time the next Bank Act review comes around, some observers believe Canadian banks will be controlling the commanding sectors of the economy in a way never before seen in North America.

James Scott

FINLAND

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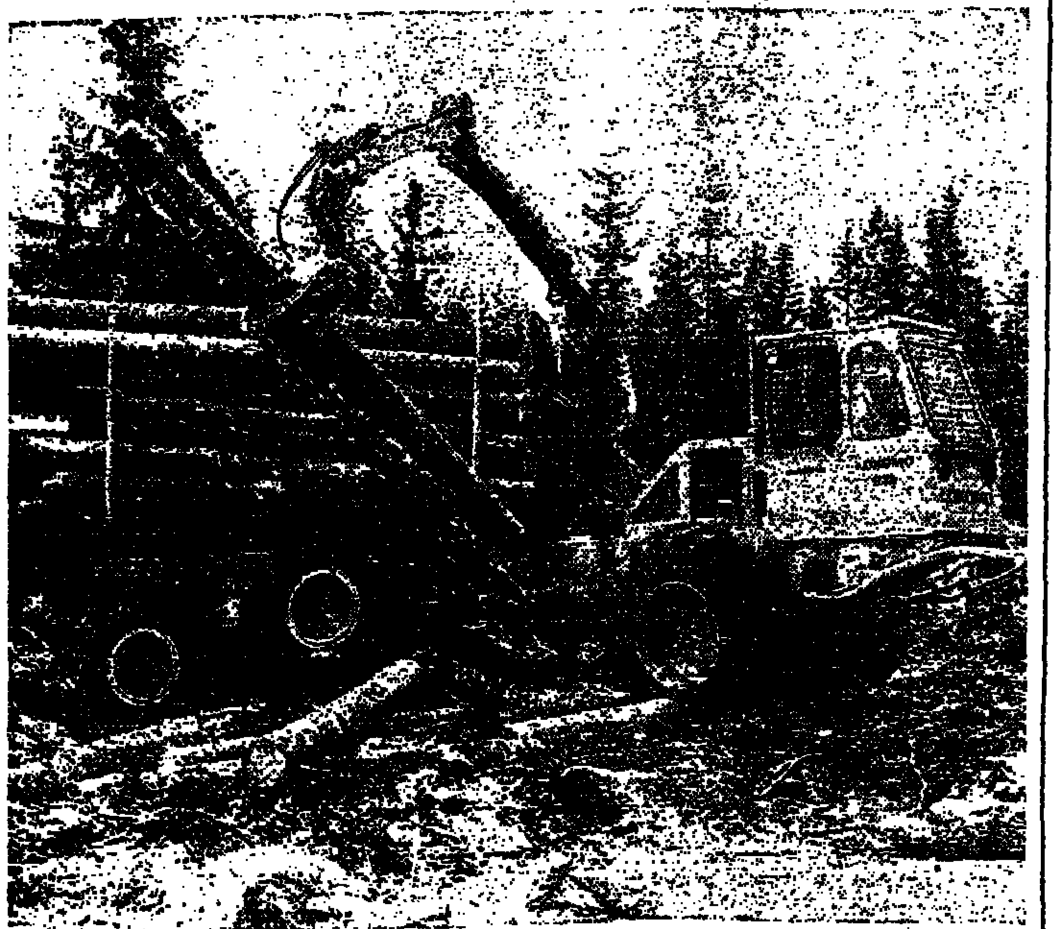
anticipation of the autumn devaluation in 1977 there was a drain on the foreign exchange reserves and the Bank of Finland made two drawings totalling U.S.$300m. on its standby credits with a consortium of North American banks, leaving $400m. on account.

It has since restored the stand-by credit position. In February it made a stand-by credit agreement with a consortium led by Orion Bank of London for U.S.$200m. On May 10 last it concluded another agreement for U.S.$100m. arranged by Scandinavian Bank, Midland Bank and Nordic Bank, all in London. Thus the total stand-by bolster for the foreign exchange reserve is back to U.S.$700m.

The Finnmark's external value is tied to a basket of 16 currencies which have accounted for at least one per cent. of the country's foreign trade for the past three years. Visible export earnings are showing a surplus for the first time in 10 years. The current account deficit has been reduced dramatically. But the benefit of the past three mini-devaluations has been small so far for export-orientated industry.

This is one question mark hanging over the future of the Finnmark. Another is what the Scandinavian countries will have to do or want to do about their exchange rates in the coming months—and that applies particularly to the Swedish krona.

Lance Keyworth
Helsinki Correspondent



Symbolic of Finland's key forest industry—logging operations at Rauma-Repolas Lokoma works.

Liberal changes

HONG KONG has become the nonpareil of the offshore banking world in that it combines tax-haven status with a lack of foreign exchange controls, and offers accessibility and an excellent communications system. Some of this appears to be on the point of changing, however.

It is not that Hong Kong is about to be eclipsed by other Asian offshore banking centres such as Singapore or Manila, Bahrein in the Middle East, the Bahamas/Caymans, or even New York's projected offshore dollar zone—real though the challenge is from all these in different ways.

The Colony seems bent on reducing its own attractions by introducing a 17 per cent. tax on net interest received from offshore loans, which account for a major proportion of international bank activity in Hong Kong. The nil rate of tax on such profits at present explains why Hong Kong enjoys the lion's share of loan syndications activity, at least in the Asiadollar market.

Not surprisingly, the proposal by the Hong Kong Government to spread the tax net on banking a good deal wider than it is cast at present is encountering a good deal of opposition from the international banking community in the Colony, and the enabling legislation on this hardly seems assured of a smooth passage through the Legislative Council.

This negative — positive if viewed from the standpoint of revenue collectors — development aside, Hong Kong has made some further improvements to its banking environment recently by rationalising and liberalising it.

Meanwhile the Hongkong and Shanghai Banking Corporation, Hong Kong's quasi-central bank, or simply "the bank," as it is known in the Colony, has inscribed Hong Kong's name more boldly on the international banking map by its proposal to take a majority stake in Marine Midland Banks in New York.

It was hardly surprising, in the light of the Hongkong Bank's intention to push into the U.S in a big way, that the Hong Kong Government should have liberalised its policy of foreign bank branch openings around the same time. Bank and Government often work closely together.

The move to tax at least part of banks' offshore earnings came as a good deal more of a surprise, however. It left the international banks as alarmed as they were nonplussed at first, and there was talk of switching loan portfolios wholesale and relocating the Asiadollar portion of them in Singapore and the Eurodollar component in, say, London.

Some of the uncertainty and alarm created by rather ambiguous official statements on the tax issue has now been dispelled however, and the picture is somewhat clearer too on the banks' operating groundrules. That is not to say though that bankers contemplate the proposed tax inpost with equanimity. If their opposition to the measure fails they may even yet rethink part of their offshore strategy on Hong Kong vis-a-vis other centres.

Emerged

Since Hong Kong's Financial Secretary, Mr. Philip Haddon-Cave, announced the more stringent tax regime on offshore banking in his March budget, and the subsequent announcement of a more liberal policy towards foreign bank branch openings, a number of things have emerged.

First, offshore loans which are purely "garaged" in Hong Kong, in the sense of being book entries only, will not be subject to the proposed 17 per cent tax on net interest received. At first bankers had feared that such "garaged" loans—where typically a U.S. bank's German office might make a loan which was funded in the Singapore Asiadollar market and credited in America yet "booked" in Hong Kong—would fall into the tax net. This could have precipitated an exodus of such loan portfolios—and may be banks too—from Hong Kong.

Secondly, other offshore loans where the bank or deposit-taking company in Hong Kong has played some active part will be taxed either at the full 17 per cent rate, or at a lower figure where profits are apportioned between Hong Kong and other centres.

What will be specifically taxable are the profits from net interest (i.e., interest received less related interest paid and related overhead expenses) where the role of the Hong Kong bank is deemed to be "active." In effect the test is whether bank employees in the Colony have undertaken work on the interest-bearing loan.

In this sense Hong Kong's proposed new statute law appears to run counter to case law which has established the "provision of credit test" in deciding where offshore earnings are taxable.

Case law in various parts of the world says that the test (of where profits should be taxed) is the place where a credit is made available to the borrower, and Hong Kong has followed this precept. The test is open to abuse, however, as in an extreme case a banker might claim he had actually agreed to, and made available, credit outside Hong Kong—maybe while flying over the Colony in an aeroplane—and the loan was thus not taxable in Hong Kong.

Whether the courts would be fooled is another matter. It is argued by Professor P. G. Willoughby of the Department of Law at Hongkong University that the provision of credit test is not so "artificial" as some of its critics claim.

"It is clear," he says, from a number of authorities, including one decision of the Privy Council which would probably be regarded as binding by any Hong Kong court, that the test to be applied in deciding the source of interest is not a legal concept but something which a practical man would regard as a real source [and that] the ascertaining of the actual source is a practical had matter of fact."

Whatever the outcome of the continuing debate, it seems certain that Hong Kong lawyers will have a field day if the Inland Revenue (Amendment) Bill is passed in order to give effect to the new tax. If foreign banks in Hong Kong are faced with entering a new jungle of tax laws, at least they are emerging from another where banks and quasi-banks compete according to different rules, riddled with anomalies.

The Hong Kong Government has ended its 12-year moratorium on foreign banks opening full branches, subject to a number of conditions, one being that only a single branch is opened in the Colony. A number of banks have already applied for licences under the Banking Ordinance (1964) though others appear content to continue operating under the Deposit-Taking Companies Ordinance (1976) and some are thought likely to opt for operating under both.

Those banks which remain as deposit-taking or "finance" companies only—there are 213 of them (compared to 34 local banks and 104 bank representative offices)—will no longer be able to operate in such a liberal climate as they have in the past. Aside from the fact that they were barred from taking deposits below HK$50,000 and could not operate current accounts the so-called finance companies were leniently treated compared with full banks.

They were not subject to prudential supervision by the authorities or required to maintain minimum liquidity ratios. In future they will have to meet similar requirements to those imposed on the banks although the concept of liquid assets may be redefined to make it suitable for both types of institution, and different ratios applied in each case. Capital ratios may also be introduced for both banks and other deposit-taking companies.

Probably the biggest anomaly ended by the present moves is that whereby foreign banks with the word "bank" in their title have been penalised. The Government moratorium on new branch openings by foreign banks in Hong Kong was brought in in 1966 to prevent the Colony becoming overbanked and to stave off further bank failures (after there had already been several).

By registering as "finance companies" as an alternative, foreign banks could not use the word "bank" in their title. That was fine for those such as, say, Credit Lyonnais, which were not called "banks" anyway, but not so good for others stuck with the name bank. In foreign exchange markets, for instance, where a name counts for a good deal, this was a point of more than academic interest as a foreign bank in Hong Kong in the guise of a finance company might not enjoy the prestige (and custom) its name would normally gain for it. In addition, locally incorporated finance companies were not able to do business against their parent companies' worldwide assets as bank branches were. Now, however, banks operating in Hong Kong can register as such.

What effect the combined impact of the tax changes and the more liberal banking regime will have on Hong Kong's relative position in the Asiadollar market remains to be seen. Offshore loans by Hong Kong banks currently stand at just under HK$20bn but the bulk of these are thought to be to non-bank borrowers outside the family, whereas most of the loans in Singapor'e $21bn Asiadollar market —roughly twice the size of Hong Kong's—represent rather incestuous interbank lending.

Meanwhile, the Hongkong and Shanghai bank's attempt to carve out a more international role for itself, through the acquisition of 51 per cent of Marine Midland, looks likely to take until mid-summer at least, and possibly well into the autumn, before it gets all the necessary approvals from regulatory authorities in the U.S. and from Marine Midland shareholders.

Anthony Rowley

NORWAY

Limits maintained

NORWAY HAS seen a remarkable turnabout in economic policy this year. The rise in the payments deficit and foreign debt had by the end of 1977 reached proportions which were worrying even for a country with big North Sea oil resources under development. The re-elected Labour Government has had to clamp down on consumption and lending and even to make an attempt to limit its own spending.

Like the neighbouring Swedes, the Norwegian Government misjudged the duration of the world economic recession and its effect on the country's export potential. But the Norwegians, banking on the credit they could raise from their future oil revenues, held on longer with their counter-cyclical and expansionary policy. They aimed both to maintain full employment and provide a rise in real incomes. At the same time, for political rather than for financial reasons, Norway remained in the European currency "snake" and saw the krone appreciate alongside the Deutschemark.

The result was a rapid deterioration in the competitive capacity of traditional Norwegian industries as their costs soared relative to those of their rival foreign manufacturers, accompanied by a totally unforeseen setback to exports last year. The payments deficit crashed through the Finance Ministry's forecast to reach a massive Kr 26.5bn. ($4.8bn.), or 14 per cent. of GNP. Contributing factors were the delays on North Sea oil development, which postponed the oil income, and the reduction in the earnings of the shipping fleet.

Forecasts

By the end of 1977 the net foreign debt had reached Kr 80bn and revised forecasts indicated that it would be as high as Kr 100bn at the end of this year—about half GNP. Even more significant, the larger part of this year's foreign borrowing would be needed not for oil or shipping investments but to meet the deficit on the "mainland" account. At this point Mr. Per Kleppe, Finance Minister and architect of Norway's economic policy, acknowledged that the foreign account set limits to what even an oil-rich country could afford.

In January the Government cut back bank lending as a first move to restrict consumer spending, and tightened HP regulations. In February it devalued the krone by 8 per cent against the other "snake" currencies (but unlike the Swedes did not withdraw), slapped on a price freeze and raised the discount rate from 6 to 7 per cent.

Last month in connection with a revised budget plan it introduced tax and insurance contribution changes designed to take Kr. 1bn out of purchasing power this year and reduce the State budget deficit (excluding the social security budget) by the same amount to Kr 7bn. Further deflationary measures have been promised in the next budget.

The figures given in the revised 1978 budget would put Norway's net foreign borrowing requirement this year at around Nkr 20bn. In contrast with previous years, in which loans have exceeded predictions, this is regarded as an upper limit. The oil revenue has been more conservatively estimated and the export trend during the first three months is said to have been somewhat more favourable than allowed for in the budget calculations.

Nevertheless the Bank of Norway has estimated that unless the new deflationary measures act quickly and the terms of trade improve the foreign debt could grow to NKr 150bn before the oil revenue is large enough to reverse it. Another factor to be reckoned with is a possible speed-up in the rate of oil investments (at least half of which would fall on Statoil, the State oil company) if the increased exploration now planned results in new discoveries. Moreover, the Bank of Norway has been borrowing at five-year terms, so that the rolling over of these debts should keep foreign bankers busy.

For Norway's private bankers the short-term prospects are not too bright. Last year most commercial banks saw a considerable expansion in the volume of business but reported lower earnings, partly as a result of shipping loans written off. Some banks had to reduce their dividend payments. Several had to write up the value to reduce their dividend payments. Several had to write up the value of property and other assets on their balance sheets in order to bring their equity figures up to the legal requirements.

Although the Norwegian banks are not so heavily committed to the shipowners as are one or two foreign banks, some of them have already made further provisions for losses on their shipping accounts this year. The private banks are subject to very tight credit control by the authorities and the effect of the Government's latest deflationary action has been to reduce the framework for increased lending by the private banking sector this year from the NKr 8.2bn indicated in the original budget to NKr 5.9bn.

The commercial banks are also having to adapt this year to the "Democratisation" Act, which is designed to increase public control over their operations by including on their boards and representative councils members appointed by Parliament or, in the case of the provincial banks, by county councils. This change may have little effect on their day-to-day management but could influence their ability to raise equity capital.

Last year the Government and the Bank of Norway appeared to recognise that they were putting undue pressure on the private banks. In December they announced steps to ease their rigid interest rate control, an obstacle to the development of the capital market which had been criticised by the OECD. They abandoned control of interest rates by 1 per cent.

A minor interest rate war broke out when a savings bank in Stavanger raised its deposit rates more than recommended by the savings banks' association and a local commercial bank folowed suit, causing some confusion among bankers who saw their profit margins further threatened. The outcome of this limited experiment in greater freedom is still uncertain.

William Dullforce
Nordic Correspondent

After the retreat from Bullock

BY JOHN ELLIOTT, Industrial Editor

THE Government's White Paper on industrial democracy to be published to-morrow, will provide a significant reassurance for those people who believe that Britain only changes its habits and traditions slowly, never with the speed of a revolution.

The people who will be especially encouraged on this occasion will range from politicians and industrialists to trade union leaders and shop stewards, many of whom for a variety of reasons disliked the proposals for worker directors proposed in January last year by the Bullock Committee of Inquiry on industrial democracy. Their wish for only slow change in the way that British industry is run—or in some cases their preference for no change at all—has been met by the Government. The White Paper only *discusses* ideas for legislation on consultative procedures which move gradually towards worked directors.

Yet just two years ago in the summer of 1976 it did seem for a time as if Britain was about to revolutionise its company structures, trade union traditions, and industrial relations practices by rapidly importing trade union representatives into the boardrooms of large companies. This would not only have challenged the adversary traditions of the country's shop steward-based labour relations but would also have overturned the accepted supremacy of the shareholder and the company annual meeting and faced both managements and unions with changes of role which they could not have efficiently fulfilled.

At that time, two years ago, the Bullock Committee was drafting its report to give trade union and shareholder representatives equal numbers of seats in a boardroom, along with a smaller "independents" group, under a formula known as "2x + y." Three industrialists on the committee, while objecting to this, prepared their own alternative path to worker directors. And while the Labour Government was awaiting the Bullock Report, the Conservatives and Liberals had their own ideas for how to introduce worker directors which were also being encouraged by the EEC. There was thus no apparent opposition to Britain moving quite rapidly towards worker directors in some form or other.

By the end of 1976 the mood had changed and the publication of the Bullock Report triggered a massive campaign of opposition from industrialists who were worried both by the changes in the balance of power involved and by the practical implications. Politicians became embarrassed by the subject, and the hitherto somewhat silent opposition within the trade union movement also became more vocal.

Major voice

The main factor which caused this change was a general mood in the country against legislation providing trade unions with a major voice in the country's institutions. There was resentment over the gains the unions had received within the social contract. This was increased by fear of the growth of closed shops and by a White Paper proposing union influence over pension funds. Then, in the summer of 1977, the anti-union feeling was sharpened by the Grunwick dispute.

These developments generated a victory chorus from industrialists and others to the general effect that "Bullock is dead." It was almost as if people believed that the political cross currents of late 1976 and 1977 had submerged the issue. But many politicians and leaders of the Confederation of British Industry, among others, know that such a view is short-sighted and that, irrespective of the immediate fate of the Bullock proposals, companies (and trade unions) gradually must come to terms with the fact that employees want a greater say over both short-term shop-floor issues and over longer term boardroom-level decisions that may affect their livelihoods in the years ahead.

There has therefore been quite a lot of progress in individual industries and companies during the past couple of years, although this progress has often been obscured by the sound of the Bullock battle.

In the nationalised industries the main development has been the introduction of a union-based worker director system in the Post Office. For a two-year experimental period, management and unions each have the same number of seats, along with a smaller group of independents, on the top corporation Board. Similar arrangements are planned for lower level regional and local advisory Boards, with the ultimate target of some 1,800 union representatives being involved. Meanwhile the British Steel Corporation, which pioneered relatively weak worker directors at lower levels some ten years ago is now discussing an idea backed by the Government for the unions to have about a third of the seats on its top Board.

In the private sector many of the initiatives have been coming from managements anxious to improve the efficiency of their business, rather than because of trade union or employee demands. The main emphasis for the past two years has been on improving basic communication and consultation methods. This has been encouraged by the Confederation of British Industry which sees voluntary progress as a major weapon in its argument that there is no need for legislation.

But the idea has also captured the imagination of individual industrialists (some of whom are also interested in involving employees through profit sharing schemes), aside from the general anti-Bullock campaign. Sir Arnold Weinstock, GEC managing director, for example, told his top executives a couple of years ago that employees "have knowledge and experience and they have much to contribute."

Some companies have been busy extending existing arrangements: ICI for example has added consultative committees on investment plans to methods it has been running for nearly 50 years. But there have also been problems, with British Leyland's participation committees being hit by some union opposition.

> **"The White Paper spans all interests but will please no one entirely. . . . It goes considerably further than the policies of the Conservative Party and Liberal Party. . . . But it is a skilful compromise that maintains many of the principles of the Bullock Report while meeting some of the points of the objectors."**

Employees' ambitions to have a greater say in the way their places of work are run are rarely expressed in a positive form. But the fact that they exist is demonstrated by events such as sit-ins and other forms of opposition to redundancies and by shop stewards becoming involved *in the operation of* health and safety legislation on the shop floor.

The problem is how to turn *these* somewhat negative factors into a constructive form of participation that will meet several needs and interests. One of the most generally accepted of these needs is to increase employee involvement so that companies work more harmoniously and efficiently. The second, which is more controversial, involves recognising that employees as well as shareholders should have their interests statutorily recognised within a company. This involves expanding the ambit of company law, which has traditionally only established the rights of shareholders and the responsibilities of companies, to include the interests of employees.

Up to now employees have been safeguarded along with other "outside" interests such as the community and the customer through general legislation on employment conditions, environmental health, and fair trading practices. But the idea of statutorily recognising their rights within company law has been backed to varying degrees by successive governments in Britain during the 1970s.

The third and most controversial point that has to be met is how to channel the employees' influence within an industrial relations system that is generally based on trade unions, but at a time when there are demands for the rights and interests of non-unionists to be safeguarded. On the one hand there is the potential advantage that shop stewards and unions may gradually shoulder more positive and constructive responsibilities if any participation system is based on them—and that they may shun it and make it irrelevant if it is not. On the other hand industrialists have a natural concern that identifiable groups of employees (middle managers for example), who may not be in a union, should not be excluded. There are also libertarian arguments for making sure that every individual has a right to a say.

These issues have been at the heart of the debate since the Bullock Report was published, and the White Paper seeks to find a way of accommodating them. First there is the question of whether there should be worker directors at all, with some industrialists arguing they would stifle efficient management and with some unions saying they would be incompatible with traditional collective bargaining—Mr. Frank Chapple of the Electricians said last week that his union was powerful enough already. This leads industrialists to prefer communication and consultation exercises, rather than actual participation in decision making at boardroom *level*, while the trade union opponents opt for extended collective bargaining with unions being given a right *to negotiate outside the board*room on top level company decisions—a notion that could impede management far more than a worker director system.

Next, if there are to be worker directors, the TUC wants "parity" of representation between shareholders and employees. This idea drives industrialists into outright opposition to the whole concept. The TUC also wants any system based on a trade union "single channel" system that pays no attention to non unionists—a claim that alienates the support of many politicians and industrialists.

Mr. Callaghan is now thought to be happy with the compromises that have emerged. He will be directly involved in launching the White Paper and in urging that there should be further debate (rather than politically embarrassing rows) over many of the "green edges" of the White Paper. The Government will also stress that its proposals for legislation are only fall-back ideas and do not prevent any company agreeing different arrangements with its workforce.

The White Paper spans all interests but will please no-one entirely. It does not go far enough on either worker directors or extended collective bargaining to fulfil the dreams of either of the two union camps. On the other hand it goes too far with statutory rights based on the unions to please industrialists.

Positive

It proposes a statutory obligation on companies to consult with trade union representatives, before decisions are made, at any relevant level of a company or group. Then, after a waiting period of three or four years, union representatives can build on this consultative basis by claiming up to one-third of the seats on a company's policy Board (with non-unionists having some rights of appeal). This Board, while forming the top level of a two-tier Board structure, will have positive powers of policy initiation as opposed to the merely supervisory role of top-tier Boards in Germany.

This goes considerably further than the policies of the Conservative Party which wants voluntary progress with a code of practice and only voluntary worker director experiments and the Liberal Party, which like the Conservatives, objects to the single-channel union only concept. But the White Paper is a skilful compromise that maintains many of the principles of the Bullock Report while meeting some of the points made by objectors.

Letters to the Editor

Monopoly and merger

From Mr. Charles Farrell

Sir,—In your article on merger policy by Geoffrey Owen in your issue of May 11 there is far too great an assumption that the system is on balance working well. In the table quoted, the rejection of the British Sidac/TPL merger is listed and, as I had particular knowledge of this case as the then chief executive of British Sidac, I draw your attention to some of the less satisfactory aspects of Monopolies Commission procedure, as it affected this particular case.

BSL was informed, in advance of its successful and mutually agreed bid for TPL, by the relevant department of the Board of Trade, that the merger would not, as far as the department could tell, be referred to the Monopolies Commission. (It was after all the two smaller manufacturers who wished to join together to compete with the much larger (Courtaulds).) The departmental assurance was a very firm one and given after considerable study of the case.

The reference to the Commission was in fact made in the first fortnight of office of the new Heath regime in June, 1970, the relevant committee chaired by a junior minister when competition "at all costs" was all the rage, regardless of industrial logic.

The major ammunition for the Committee's reference of the merger to the Monopolies Commission was produced by one or two major customers of both companies who were subjected to an intense lobbying campaign by certain interests. One of these customers was in addition a competitor and would have faced severe competition from the merged company. This aspect was never, to the best of my knowledge, discussed at the Commission.

The "Star Chamber" system employed by the Commission means that the company in the dock (and that is how it feels) is not allowed to know what evidence is given or by whom, against the proposal, so it can never directly refute nor, much less and much more vital, cross-examine.

The concept of looking at the UK market share as the determining factor is outmoded by the realities of international trade and now to an even greater extent by the UK's membership of the EEC.

The effect of the Monopolies Commission ban on the merger was to push TPL into losses which very nearly forced it out of business, and within a short period of time led to the disappearance of BSL as an independent public company through its takeover by Union Chemique Belge.

The present system seldom, if ever, effectively examines, and never breaks up, existing monopoly situations, many of great significance, but concentrates its attention on the easier side of the problem which is the prospective mergers between public companies which have to be reported to the Department of Trade and Industry and can readily under present legislation be prevented. The effect is towards an unhealthy preservation of the status quo.

In saying that there is a 50/50 chance of a merger being accepted, your correspondent is, I believe, misinterpreting the figure which he himself quotes. There are approximately the same number of companies in the three columns—those withdrawn, those found against the public interest, and those agreed. Even on the figures quoted, the odds are in fact two to one against, not 50/50, because you can be sure that those who withdrew knew that their fate was already sealed and furthermore your correspondent does not take into account the much greater effect on companies who would like to merge for their greater efficiency but, in the face of the present attitude of the Monopolies Commission and the general uncertainty, never carry the matter further.

The Monopolies Commission's criteria and procedures should be more closely defined in terms of law and companies should be able to approach the Commission as they would a court of law in the knowledge of the law and in the light of this, be able to hear the evidence against them and to cross-examine. Justice would then "be done and be seen to be done."

Charles Farrell,
3, Dover Street, W1.

Non-executive directors

From the Managing Director, Ores International.

Sir,—I would like to comment about the role of non-executive directors in British industry, inspired by Stewart Fleming's article on Non-Executive Directors in *U.S.* Corporations (May 15).

It has been relatively rare to find Boards made up of a majority of non-executive directors here in Britain. In banking and insurance, however, they are reasonably well established.

The practice of having one or two non-executive directors is not a very satisfactory way of keeping an eye on the day-to-day management. These one or two will generally have been invited to join the Board by the very management upon whom they should be keeping an eye. The same names crop up depressingly often implying that they somehow bear the seal of approval of the City establishment. The City seems to be unimaginative in the way it casts its "old boy net."

The majority of British non-executive directors are drawn from banking, accountancy or the law. Very few of them are invited to join because they have some relative outside industrial experience. There are exceptions, however, and Reed International has invited senior executives from ICI and Shell to join its Board to help it through its present difficulties.

In my view non-executive directors should be a majority of the Board. They should have as their main task the monitoring of the company management's performance, either on behalf of the shareholders, or the staff. (The day cannot be far off when it becomes customary to have a non-executive director or two elected by the work force though not, I hope, appointed by the unions).

If non-executive directors are to do their job properly there must be a limit to the number of Board appointments they can hold. I would suggest a maximum of three. That way they really can concentrate their attention, and they should be rewarded accordingly. I am encouraged to see that British Oxygen envisages a more positive role for its non executive directors and as a consequence is paying them higher fees.

Finally, I would not rule out MPs as non-executive directors. Industry has increasingly to cope with political interference and an MP as a non-executive director could be a useful guide through the political minefield as well as a sympathetic voice. I would strongly recommend those MPs on both sides of the House who have some industrial experience. Unfortunately, they are all too few at the moment.

M. I. Webb-Bowen.
35-39 Maddox Street W1.

Education in Kent

From the Chairman, Education Committee, Kent County Council.

Sir,—I am afraid that Dr. Bonnin in his letter (May 6) has got the wrong end of the stick about the Thames-side system of education as it is operated in Gravesham (Kent). As we explain carefully in the booklets sent to all parents, pupils enter a high school (not a middle school) at age 11, and at age 13 by a process of guided parental choice those who wish and seem fitted to continue their education to the age of 18 along more academic lines have the opportunity to transfer to an upper school (not a comprehensive school) for a five year course leading to GCE Advanced level. Overall in recent years about 24 per cent. of pupils in the Gravesham Division have been admitted at age 13 to upper schools in this way. Pupils remaining in the high schools are able to undertake "O" level and/or CSE courses and there is further provision for tranfer to an upper school or to a college of further education at age 16 if that is apropriate.

I find it hard to understand Dr. Bonnin's nomenclature, since he talks about middle and comprehensive schools in an area where there are at present none except for two denominational schools, and I think it important that the factual position should be plainly stated.

Perhaps I might add that on a consultation exercise recently undertaken the vast majority of parents who responded (2,286 out of 3,188) decided that they would prefer the status quo rather than a change to a completely comprehensive system.

Until the passing of the 1976 Act the Kent Authority's basic approach was to try to follow local opinion and to bear in mind educational considerations as to the type of education offered in an area. Within the constraints of that Act the Authority has submitted modifications to the Thames-side scheme to make parental choice the dominant factor at the age of 13. It remains to be seen what the Secretary of State will decide.

A. J. L. Barnes,
Springfield, Maidstone, Kent.

Buying British

From the Director Process Plant Association.

Sir,—We applaud the Prime Minister on his call to British Industry to look to British sources of plant and machinery. He rightly points to the folly of increasing imports from foreign suppliers which can only diminish our own industrial base.

What could be more fundamental than the basic plant from which the wealth of the nation is produced?—and the innovation, development, leadership and experience put into it for over a century.

Britain is too quick to forget or denigrate the talents its people possess. They are still here, but some of the priorities of recent years have caused bewilderment. Perhaps it is for this reason that the process plant industry has not shouted enough about its capabilities and achievements. We shall be reminding people of them.

It is tempting for the British user to buy plant from foreigners who do not fail to claim their strengths, and we must take it as a compliment that they set great store by their successes in our country. But often they resort to uneconomic prices, or those which we can only conclude are in some way assisted to attain their objectives.

The process plant industry is not afraid of fair international competition but asks its clients to think twice about the wisdom of short-term expediency and recognise the value of the huge resources of experience, craftmanship and imagination we have at home. We have them all, and want to keep British industry, its management and labour intact.

Best results come from encouragement, success, and reward. Given these, there is nowhere that will react better.

Harry Hornsby.
197, Knightsbridge, SW7.

Solicitor as town clerk

From Mr. C. D. B. Gowers

Sir,—Unlike Mr. S. P. Best I did not have the benefit of reading Mr Churchill's article on town clerks (May 2). Mr. Best does not, however, substantiate two important assertions which he makes in his letter of May 6: (a) that solicitors are the obvious choice for chief officers and (b) the solicitor town clerk ought to be the defender of the rights of the public.

Why should solicitors be the obvious choice for this favoured role? Mr. Best is correct in saying that local authorities are legal entities and as such they must of course have access to good legal advice to ensure that they do not exceed their powers or neglect their duties. But surely all companies are "only" legal entities and run similar legal risks. Do companies find that solicitors are "the obvious choice" for the post of chief executive?

Local government (like commerce and industry) does not live by the law alone and surely due weight in the management of local government must be given to the other major resources: finance, labour and other professional skills. It is true that in many authorities town clerks have traditionally succeeded in fulfilling the role of general manager or chief executive but surely this is because they proved able managers able to leave the legal work to other lawyers. Whether Mr. Best likes it or not local government needs not only good lawyers but good managers. Are accountants, engineers and even barristers and social workers inherently incapable of providing good management material?

Mr. Best is also surely wrong in saying that solicitor town clerks are defenders of the rights of the public. It is the local authority, as the solicitor's client, which has the duty to protect public rights and the solicitor cannot defend those rights if the authority either chooses not to or does not delegate its authority to him.

C. D. B. Gowers.
1, Rowland Close, Wolvercote, Oxford.

Today's Events

GENERAL

EEC Finance Ministers meet, Brussels.

Labour Party-TUC Liaison Committee meet, House of Commons.

Talks resume in London on new Anglo-Malaysian air service agreement.

Fourth session of UN Commission on Transnational Corporation continues, Vienna.

TUC Finance and General Purposes Committee meets.

First meeting of joint planning sub-committee of senior British Steel Corporation and union representatives.

Economic mission from Japanese Federation of Economic Organisations (Keidanren) arrives in Vietnam.

Department of Industry issues first Business Statistics Office report.

National Union of Mineworkers' Yorkshire area executive meets.

Dr. Conor Cruise O'Brien, editor-in-chief, The Observer, is guest speaker at Advertising Association annual meeting lunch, Savoy Hotel, WC2.

Coal Industry Society annual meeting, Hyde Park Hotel, SW1, 11.45 am, followed by lunch at which Viscount Ward of Witley, chairman, Coalite and Chemical Products, is guest speaker.

Union of Post Office Workers' conference opens, Blackpool (until May 26).

International Association of Airport and Seaport Police conference, Tower Hotel, E1. Speakers include Mr. William Whitelaw, deputy Opposition leader.

National Union of Licensed Victuallers' annual conference opens, Brighton (until May 25).

PARLIAMENTARY BUSINESS

House of Commons: Opposition censure debate on Forces' pay. Financial Assistance for Industry (Increases of Limit) Order.

House of Lords: Debates on North Sea oil policies; and on refugees in the UK.

OFFICIAL STATISTICS

Preliminary estimate of gross domestic product based on output data (first quarter). Turnover of motor trades (first quarter).

COMPANY MEETINGS

See Week's Financial Diary on page 6.

OPERA

Royal Opera production of Peter Grimes, Covent Garden, WC2, 7.30 pm.

English National Opera perform Euryanthe, Coliseum Theatre, WC2, 7.30 pm.

MUSIC

Tessa Nicholson (piano), St. Lawrence Jewry next Guildhall, EC2, 1 pm.

Symphonica of London, conductor Wyn Morris, in programme of Wagner, Beethoven and Mahler, Royal Festival Hall, SE1, 8 pm.

Musica Reservata play 16th century Spanish music, Queen Elizabeth Hall, SE1, 7.45 pm.

COMPANY NEWS

Waterford Glass heading for further record

A CONFIDENT forecast of another year of record profits and news of expansion on all fronts comes from Waterford Glass, the Irish industrial group.

In his annual statement with the accounts chairman Mr. Patrick McGrath, the chairman says that when announcing the preliminary figures the directors indicated that growth throughout the group would be sustained in 1978. "So far this year our hopes have been realised. I am very confident that 1978 will show further improvement."

He reports that sales of Waterford Crystal increased on all markets once again and at present the order books for crystal products are full for 1978 and beyond. Price increases and improved productivity will enable the group to maintain its rate of profit and so show a further satisfactory gain during the current year.

Mr. McGrath also announces a decision to invest over £4m in a new factory in Waterford which will be concerned with the production of new handmade products the company is developing in the crystal field.

Aynsley China, the English fine china company based in Stoke-on-Trent, also showed a considerable improvement in sales, profit and employment. During the year additional premises were purchased which will be used for further expansion. All its markets remain extremely buoyant and it is expected that 1978 will show further increases.

The Switzer Group, which operates department stores in major centres throughout Ireland, once again performed satisfactorily, the chairman reports.

At present a large scale expansion of the main store in Dublin is commencing which will add very considerably to the selling space and to the variety of goods available. Expansion is also planned in some other units of the group and the overall outlook for the retail division is very promising, says Mr. McGrath.

Results of the Smith Group, which is mainly in motor distribution were extremely impressive. It has embarked on a capital programme largely in the retail division and the Smith Group is looking forward to another successful year.

As reported March 1, group pre-tax profits jumped 37 per cent to a record £9.2m in 1977 on sales of £100.5m.

At the year-end borrowings showed an increase of 21.7 per cent to £14.34m. Shareholders' funds were up 14.7 per cent to £31.4m.

APE expects to maintain growth

THE OVERALL situation at Amalgamated Power Engineering can be viewed with confidence, says Mr H. A. Whittall, the chairman, in his annual statement. Present indications are that the group's business will continue on a satisfactory basis and in particular the trend towards larger contracts with greater engineering content will maintain growth for years to come, he adds.

As reported on April 28 pre-tax profits for 1977 rose from £3.39m, to a record £6.29m, on turnover of £56.15m against £46.33m. And the dividend is raised from 3.658146p to 5.28p. On a CCA basis pre-tax profit is adjusted to £3.39m after adjustments for depreciation £0.82m, cost of sales £2.85m, and the gearing factor £0.78m.

Manufacturing turnover of the UK subsidiaries increased by 28 per cent to £49m and the UK profit by 132 per cent to £5,478,000.

Turnover and profits from overseas subsidiaries and associated companies showed a decline in 1977 contributing £808,000 to group profit compared with £1,026,000 in 1976 and £612,000 in 1975.

The chairman says the 1977 figures are stated on the basis of exchange rates as at December 3, 1977: the change in exchange rates during 1977 resulted in a reduction in overseas profits of some £100,000.

Nevertheless, the directors are satisfied with the progress of the manufacturing and selling companies overseas, particularly the wholly-owned subsidiary company in South Africa and the associated companies in India and Malaysia.

The only exception is Australia, where the group has had difficulties with the small manufacturing company acquired in 1976, and these, and the depressed state of the Australian economy give little hope that there will be improvement before 1980.

The group will continue to develop both existing and new activities overseas the chairman states.

Covering the order book situation Mr. Whittall says that in the UK subsidiary companies, Bedford and Birmingham are satisfactory, and there is continued improvement at Manchester.

The Pershore company is not as well placed as the group would wish and he sees no reason to change his forecast made last year that this company will not return to its former strength before 1980.

The group will continue to invest in research and development and has capital expenditure commitments of over £3m. And the directors consider it is essential that this level of investment continues, he adds.

At the year end there was an increase in net liquid funds of £5.99m (£0.33m) comprising a £1.9m (£0.22m) decrease in short term borrowings and £4.09m (£0.11m) increase in cash.

During the year ex-gratia payments of £13,000 were paid to former directors.

Meeting, Bedford, on June 15 at noon.

Hoveringham slightly more optimistic

There are signs that the downturn in business within the construction industry is levelling off and there may be a marginal improvement in demand later in 1978, says Mr. G. H. C. Needler, the chairman of Hoveringham Group. Taking this into account together with the directors' programme of acquisition and diversification, the immediate future is viewed with a little more optimism than hitherto, members are told in his annual statement.

In order to reduce the group's dependence on the UK construction industry, the directors are maintaining their diversification policy and the current year has seen further steps in the insurance broking, waste disposal and general haulage parts of its business, Mr. Needler reports.

Further developments are planned in the short to medium term and, in particular, the directors have over the last 12 months been considering the prospects for growth and development in the U.S., he adds.

Rugby Cement sees upturn

IN HIS annual statement, Lord Boyd-Carpenter, the chairman of Rugby Portland Cement Company, says that there are modest but reassuring signs of recovery in construction in the UK, and so of demand for the company's product.

As reported on April 18, pre-tax profit advanced from £12.49m to a record £13.82m for 1977, on sales of £87.8m (£77.6m).

Based upon the Hyde proposals pre-tax profit is reduced by 40 per cent (45 per cent).

The result reflects a measure of success in a far from easy UK market combined with a substantial improvement in results from the Western Australian subsidiary, Cockburn Cement, the chairman points out.

During the year, Cockburn greatly increased its sales and profitability and as a result of its further contract for the supply of lime to Alcoa for 15 years, has secured a good market for a long time ahead.

In the UK large investments have been made at the Rochester and Southam works in order to achieve more economical uses of energy as well as increased capacity. Planning permission has also been received for the modernisation of the works at Lewes.

The total expenditure on additions to fixed assets during the year amounted to £13.16m. The directors consider the market value of the group's land and buildings at the year end was at least £13m in excess of the book value of £60.33m.

The directors propose a capital reorganisation under which existing ordinary and non-voting participating shares are to be combined into a single class of equity capital carrying full voting rights.

A statement of source and application of funds shows bank balances reduced by £3.53m (£1.26m increase) at the year-end.

Prudential Assurance Company holds 5.4 per cent of the equity.

Meeting, Rugby, June 13, noon.

Cartiers Superfoods up 48%

Cartiers Superfoods the Kent-based food retailer has achieved another record year with pretax profits of £828,494 for the 52 weeks ended January 28, 1978 compared with £610,505 for the previous 57 weeks representing a pro-rata annual increase of 48.8 per cent.

With turnover increasing from £13.8m. to £20.3m. the net margin remained above 4 per cent.

More than half the net shareholders funds of £1.8m. are now invested in freehold property and the directors have announced that they have instructed Donaldsons to prepare a valuation of these sites.

The company now operates 11 stores in Kent with a gross floor area of 215,000 sq. feet but further sites already acquired with full planning permission will bring the number of stores up to 14 with a total gross area of 343,000 sq. feet by late 1979.

These include two relocations as well as new sites in Brighton and Eastbourne with the company extending its territory into Sussex.

Turnover should exceed £28.m. for the current year from existing branches and a further rise is expected for the following year when the new branches commence trading.

Profit increase likely says Tarmac chief

TAKING Tarmac as a whole Mr. Robin Martin, chairman, says he believes it has a reasonable chance of increased profits in 1978.

The past winter in the UK was worse than that previous, itself a poor one for weather. Trading has suffered accordingly and this makes it difficult to judge the current year's outcome. However, the chairman forecasts that UK trading for the rest of the year will be satisfactory and in particular he expects the quarry products, housing and property divisions to show bigger profits overall.

Overseas the group has improved its financial performance but trading in Germany and France will remain a matter for concern and demand in some of the developing countries is not as buoyant as in recent years. Mr. Martin does not therefore see a spectacular improvement in this year's overseas results. Nevertheless, management and control systems are being strengthened and full benefits will eventually come.

As reported on April 28, excluding the £16m of provisions and losses from Nigerian operations, taxable profits for 1977 advanced from £22.5m to £24.16m. Turnover rose from £521.15m to £663.53m.

A divisional analysis of turnover and trading profits shows (£000s omitted): quarry products £191,372 (£167,852) and £12,495 (£11,027); building products £115,694 (£100,447) and £5,692 (£5,529); construction £223,341 (£159,132) and £6,355 (£5,774); international £72,825 (£46,146) and £487 (£2,782); housing £48,063 (£42,047) and £4,499 (£4,321); properties £6,760 (£620) and £454 (£91 loss); separate activities £5,478 (£4,905) and £1,144 (£900); central costs £2,039 (£1,705).

A geographical breakdown discloses: UK £499,296 (£385,397) and £29,956 (£25,077); Europe £76,603 (£76,891) and £1,966 (£74 loss); elsewhere £87,634 (£58,861) and £1,097 (£2,714).

The AGM of the company will be held in Birmingham on June 13 at 11.30 a.m.

Lead Inds. encouraged by current sales volume

IN HIS annual statement Mr. Ian Butler, the chairman of Lead Industries Group, says that a general rise in world trading activity may still be distant and new sources of competition have arisen in many overseas markets but the diversity of LIG's interests as a supplier of a wide range of materials to many industries means it would benefit from a general increase in international trade.

Although there are so few signs of world markets increasing, the group companies have the capacity to obtain a higher share of these markets, and the net volume of sales compared with a year ago, is quite encouraging, he tells members.

Throughout 1977 capital programmes in many of the UK operations were continued at high levels, and, although, at £5.2m, expenditure was slightly lower than in 1976, the amounts authorised for future expenditure were higher. While some of this is to maintain a high standard of plant and further to improve environmental control equipment, expenditure on additional capacity should also help to achieve better productivity as demand improves.

Titanium dioxide forms a major part of the pigment industry, in which LIG has been involved for many years. The immediate outlook makes it difficult to forecast the timing of a return to adequate profitability, says Mr. Butler, but significant capital expenditure is justifiable to provide greater process capacity: it is therefore likely that further capital will be subscribed by the shareholders, and there is confidence that the investment will prove of benefit to LIG as world trade recovers.

The funds received from the Imetal issue were retained in foreign currencies to be available to meet the needs of existing overseas opeartions and to finance expansion into new areas. Although relatively little was in fact utilised during 1977, the management have several possibilities under consideration, a few smaller ones are well advanced and agreed in principle. Eventually it is hoped to achieve a number of medium-sized operations, but it will take time to deploy these funds into such overseas activities which will benefit from the link with the group's major U.K. operations.

While the subscription of new capital to Tioxide is reflected in the balance sheet the acquisition of the additional shareholding from Federated Chemicals was not completed until after the year end. The group has available more than sufficient medium-term loan facilities to meet these commitments and some have been drawn in 1978. With the additional benefit from lower metal prices, the current liquidity places the group in a strong position.

At the end of 1977, the net assets applicable to the ordinary capital at £97.5m were £11m higher: the increase arising from retained profit and from the new capital was in excess of this, but currency changes cause a reduction of over £4m in the sterling value of the net assets of overseas subsidiary and associated companies. The net assets for each LIG ordinary share do not show a comparable increase because of the issue of new capital. The figures for 1976 (238p) and 1977 (236.5p) are similar despite the increase in the number of shares.

Inflation-adjusted accounts include a group balance sheet which shows the ordinary shareholders' assets at £221m against £190m at the end of 1976.

As reported on April 21, pre-tax profits rose marginally from £20.5m to £20.9m in 1977 on sales of £198.53m (£168.86m).

On a CCA basis pre-tax profits are shown at £14.83m (£13.56m) after adjustments for cost of sales £1.14m (£2.09m), depreciation £1.49m (£1.46m), and share of associates £4.24m (£4.5m) offset by a gearing adjustment of £0.79m (£1.06m).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Stockholders Investment Trust.
Finals: Imperial Cold Storage and Supply, Outwich Investment Trust, Winchmore Investment Trust.

FUTURE DATES

Interims—	
Carr's Milling Industries	May 31
Dubilier	May 31
Dundee and London Invest. Tst.	June 15
Spencer Clark Metal Industries	May 25
Finals—	
East Midland Allied Press	†May 30
Eastern Produce	May 24
Gorett European Trust	May 24
Hill (Philip) Investment Trust	May 24
Lamont	May 25
Land Securities Invest. Trust	June 14
Lindustries	June 21
London and Overseas Freighters	June 14
Morgan Crucible	June 1
Pilkington	June 16
Polymark International	May 25
Time Products	†May 24
Walker and Staff	June 26

†Amended.

G. W. Sparrow off to slow start

ALTHOUGH specialising in crane hire and heavy lifting, the operations of G. W. Sparrow and Sons are diverse in terms of the industries it serves and the countries in which it operates and it is this spread, says Mr. A. W. Sparrow, the chairman, which provides opportunities and the directors confidence in future profitable growth.

The current year has started slowly and will be difficult, he tells members in his annual statement, but inquiries and orders for the second half and through into 1979 are now building up at an encouraging rate.

Sustantial investment has continued in new cranes to hold a strong position in the industry and to meet demand when it increases. Over £3.5m was invested in new cranes in the UK in 1977 and £1.6m worth was on order at the year end with a further £2m committed for the 1,000 ton Gottwald due in 1979.

Full assistance was received from the group's bankers during the year and year-end overdrafts of £432,000 were well below facilities. Citibank will be financing the 1,000 ton Gottwald crane.

The group has now agreed the terms of a Joint Venture Agreement with the Alireza Group, a substantial and highly regarded organisation in the Middle East. Under this agreement Sparrow will have a 49 per cent shareholding in a Saudi Arabian company and the directors look forward to increasing returns from this area in the years ahead.

As reported on April 12, pre-tax profits rose from £1.31m to £1.48m, in 1977 on turnover of £11.6m (£8.55m). At the year end there was a net outflow to bank facilities of £234,000 (inflow £154,000).

Inflation adjusted accounts show pre-tax profits at £1.04m on a CCA basis after adjustments for depreciation £863,000 and gearing adjustment £425,000.

Meeting, Bath, on June 2, at noon.

FT Share information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Leaseway Transportation Corp. (Section: Overseas—New York).

Mining Investment Corp. ("Mincorp") (Section: Mines—Finance).

Saga Holidays (Section: Industrials).

AUSTIN REED

Turnover of Chester Barrie, which is to be acquired by Austin Reed from July 1 is expected to be £3m. to £4m. This compares with £6m. for the former group, including its Wrexham and Italian operations. Neither of these operations is included in the rescue deal announced on Saturday.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barking (01-592 4500)	10¾	½-year	1,000	4-6
Barking (01-592 4500)	11¼	½-year	5,000	4-6
Barnsley Metro. (0226 203232)	10¾	½-year	250	4-7
Knowsley (051 5486555)	11	½-year	1,000	5-7
Oxford (0865 49811)	10¾	½-year	5,000	5-7
Poole (02013 5151)	10½	½-year	500	5
Poole (02013 5151)	10¾	½-year	500	6-7
Redbridge (01-478 3020)	10½	½-year	200	5-7
Southend (0702 49451)	10	½-year	250	3
Thurrock (0375 5122)	11	½-year	300	4
Thurrock (0375 5122)	11¼	½-year	300	5-8
Wrekin (0952 505051)	11	yearly	1,000	5

Ecclesiastical Insurance bonus rate increased

A RECORD level of reversionary bonus has been declared by Ecclesiastical Insurance Office in respect of the three years ending February 28, 1978. The basic bonus rate is lifted to £4.50 per cent. per annum of the sum assured and attaching bonuses from £4.25 per cent.—the rate declared three years ago and maintained during the interim period.

In addition, the company has declared a special bonus of £12 per cent. of bonuses attaching to contracts prior to the present declaration. The company does not pay a terminal bonus; it considers that the use of special bonus payments provides long-standing policyholders with a fair share of capital profits, coming through, both realised and unrealised. Special bonuses have now been declared on each of the last four declarations with the exception of that in 1975, a time when the stock market was just recovering from the 1974 bear phase.

On personal pension contracts, the bonus rate is effectively £6 per cent. per annum compound compared with £5 per cent. forecast when the contract was launched two years ago. In all cases, the interim rates are the same as the new declared rates.

Ecclesiastical is the smallest of the three life companies that do not pay commission to intermediaries. The company has always been a leading performer for with-profit business and this new rate puts it in top position. A policy maturing now after 25 years with a monthly premium of £10 will have a maturity value of £7,828 compared with £7,208 previously. The company is also relaunching its investor policy which gives under current bonus rates a net yield of 10 per cent. per annum over ten years.

SHARE STAKES

Roche Securities—County Bank acquired 183,333 shares on May 10, thereby increasing interest to 433,333 (10.4 pe rcent). Streamclare acquired 91,667 shares on the same day increasing interest 433,333 (10.4 per cent). Streamclare is a company of which Mr. D. J. Hughes, a director of Roche Securities, is a share holder.

Fledgeling Investments — Northern American Trust holds 337,000 ordinary shares—over 5 per cent.

Christies International—Following conversion of 1,064,915 "A" ordinary shares to ordinary shares on May 17 directors' share holdings have been reduced by following sales: Mr. J. A. Floyd (beneficial) 250,000; Mr. A. G. Grimwade (beneficial) 50,000 and (non beneficial) 199,386; Mr. L. G. M. Hannen (beneficial) 150,000 and (non-beneficial) 50,000. Mr. Patrick Lindsay (beneficial) 250,000 shares.

David Dixon and Son Holdings—Mr. H. Turpin, director, now holds 23,000 7 per cent preference shares (41.99 per cent).

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Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Allied Brews.	June 21	Int. 1.25
Anglo-American Corpn Grp.	June 9	Divs. due
Anglo Transvaal Cons. Grp.	June 8	Finals due
Arbuthnot Latham	June 23	Final 5.611
Assoc. Engng.	May 25	Int. 1.37
Avon Rubber	May 24	Int. 4
ATV	June 23	Final 3.147
Baker Perkins	June 23	Final 2.2338
Bass Charrington	May 25	Int. 1.631533
Bassett (Geo.)	June 28	Final 4.0330
Beecham	May 25	Final 3.2736
Beresford (S. and W.)	June 15	Int. 3.5
BICC Int.	May 24	Int. 1.54
Borthwick (Thos.)	May 16	Int. 2.4
BPB Inds.	June 29	Sec. int. 3.426
Brit. and Comm. Shipping	June 16	Final 4.3545
Brown (John)	June 24	Sec. int. 5.28
Brown Shipley	June 9	Final 4.79
Charter Consolidated	June 6	Final 4.68242
Charterhse. Grp	June 1	Int. 1.18
Chloride	June 15	Sec. int. 3.4
Chubb	June 15	Final 2.2335
Coalite and Chemical	June 1	Final 0.3696
CompAir	June 15	Int. 1.5
Courtaulds	May 25	Final 4.549
Dawson Int.	June 20	Final 1.9877
De La Rue	June 9	Final 4.4
Dobson Park	June 14	Int. 0.833
Eastern Produce	May 24	Final nil
Elec. and Gen. Inv.	June 21	Final 0.8
Electronic Rentals	June 9	Final 1.4515
English China Clays	June 18	Int. 1.75
Fine Art Developmts.	May 23	Final 0.6312
Finlay (Jas.)	June 2	Sec. int. 3.11
Gold Fields of SA Group	June 13	Divs. due
Gen. Min. Grp.	June 1	Divs. due
Grand Met.	June 15	Int. 1.6
Gt. Portland Estates	June 14	Final 2.9457
Guinness (A.)	June 16	Int. 2.3984
Hambro Corpn.	June 6	Final 4
Hambros	June 14	Final 10.75
Harrisons and Crosfield	June 13	Final 10.45
Hickson Welch	June 2	Int. 3.639
Hill Samuel	June 8	Final 2.7933
IC Gas	June 29	Final 5.27907
ICL	June 23	Int. 2.6
Jo'burg Consolidated	June 9	Int. due

	Date	Announcement last year
Johnson Matthey	June 14	Final 7.1928
*K Shoes	May 23	Int. 0.77
*Keyser Ullmann	May 24	Final 0.325
*Land Secs.	June 14	Final 3.254
*Lindustries	June 21	Final 3.846
*London and Northern	May 24	Final 2
*"LOFS"	June 14	Final 3.22076
Lyons (J.)	June 29	Final 5.535
*Marley	May 31	Int. 1
*MEPC	May 24	Int. nil
*Metal Box	June 3	Final 7.46
*Minster Assets	May 25	Final 1.748
MK Electric	June 22	Final 3.69
Nat. Bank Australasia	May 11	Int. 6.5 cents
News Int.	June 29	Int. 4
Northn. Foods	May 31	Int. 1
Pauls and Whites	June 16	Final 2.414
Pegler Hattersley	June 8	Final 4.031
*Pilkington Bros.	June 16	Sec. int. due
Plessey	June 21	Int. 0.48707
Powell Duffryn	June 21	Final 5.13684
*Press (Wm.)	May 25	Final 0.75
*Prop. Hay's Wf.	May 25	Int. 1.422
Prop. Hldg. and Inv. Tst.	June 28	Final 3.708
Racal Electronic	June 29	Final 1.154
*Ransome Hfmn. Pollard	May 24	Int. 1.44
Redd Int.	May 31	Final 3.415
Samuel (H.)	May 24	Sec. int. 6.4
*600 Group	June 8	Final 4.3
SGB Sheepbridge Eng.	June 23	Final 2.1756
Staflex Int.	May 26	Final 1.61
Standard Chartered	June 26	Final 10.335
Staveley Inds.	May 22	Int. 4.4
Swan Hunter	May 24	Sec. int. 3.5
Tesco	June 22	Final 0.8267
Triplex	June 21	Final 1.901
Triplex Fddries.	June 15	Final 2.739
UBM	June 16	Final 4.44125
UKO Int.	May 31	Final 5.33
Vaux Brews.	June 24	Sec. int. 6.03
Ward (T. W.)	June 16	Int. 1.51875
Wedgwood	June 16	Final 3.7
*Weir and Dudley Brews.	June 19	Int. 1.7
Woodhead (Jonas)	June 17	Final 4.6665

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from May 13

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	10½	10½	11¼	11⅛	11⅛	11¾
Over 5, up to 10	11⅛	11¼	12⅛	11⅝	11¾	12⅝
Over 10, up to 15	12	12⅛	12¾	12½	12⅝	13¼
Over 15, up to 25	12¼	12⅜	12¾	13⅛	13⅛	13¼
Over 25	12½	13	13	13⅛	13⅛	13¼

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

Issue Price p.	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	132	118	Saga Holidays	128	+1	[illegible]	[illegible]	7.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p.	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brent Chemicals	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Canadian Imperial Bank	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Dresdner Bank	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	James & Newall	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Apple Weller	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ; Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p Pence unless otherwise indicated. ¹ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	9 %
Allied Irish Banks Ltd.	9 %
American Express Bk.	9 %
Amro Bank	9 %
A P Bank Ltd.	9 %
Henry Ansbacher	9 %
Banco de Bilbao	9 %
Bank of Credit & Cmce.	9 %
Bank of Cyprus	9 %
Bank of N.S.W.	9 %
Banque Belge Ltd.	9 %
Banque du Rhone	9½ %
Barclays Bank	9 %
Barnett Christie Ltd.	9½ %
Bremar Holdings Ltd.	10 %
Brit. Bank of Mid. East	9 %
■ Brown Shipley	9 %
Canada Perm't. Trust	9 %
Capitol C & C Fin. Ltd.	9 %
Cayzer Ltd.	9 %
Cedar Holdings	9½ %
■ Charterhouse Japhet	9 %
Choulartons	9 %
C. E. Coates	10 %
Consolidated Credits	7½ %
Co-operative Bank *	9 %
Corinthian Securities	9 %
Credit Lyonnais	9 %
The Cyprus Popular Bk.	9 %
Duncan Lawrie ¶	9 %
Eagil Trust	9 %
English Transcont.	9 %
First London Secs.	9 %
First Nat. Fin. Corpn.	10 %
First Nat. Secs. Ltd.	9½ %
■ Antony Gibbs	9 %
Greyhound Guaranty	9 %
Grindlays Bank ‡	9 %
■ Guinness Mahon	9 %
■ Hambros Bank	9 %
■ Hill Samuel §	9 %
C. Hoare & Co. †	9 %
Julian S. Hodge	10 %
Hongkong & Shanghai	9 %
Industrial Bk. of Scot.	7½ %
Keyser Ullmann	9 %
Knowsley & Co. Ltd.	11½ %
Lloyds Bank	9 %
London Mercantile	9 %
Edward Manson & Co.	10½ %
Midland Bank	9 %
■ Samuel Montagu	9 %
■ Morgan Grenfell	9 %
National Westminster	9 %
Norwich General Trust	9 %
P. S. Refson & Co.	9 %
Rossminster Accept'cs	9 %
Royal Bk. Canada Trust	9 %
Schlesinger Limited	9 %
E. S. Schwab	10½ %
Security Trust Co. Ltd.	10 %
Shenley Trust	9½ %
Standard Chartered	9 %
Trade Dev. Bank	9 %
Trustee Savings Bank	9 %
Twentieth Century Bk.	10 %
United Bank of Kuwait	9 %
Whiteaway Laidlaw	9½ %
Williams & Glyn's	9 %
Yorkshire Bank	9 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%, 1-month deposits 6¼%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6¼% and over £25,000 6½%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6¼%.
¶ Rate also applies to Sterling Ind. Secs.

INTERNATIONAL COMPANY NEWS

Greater role urged for regional banks

BY FRANCIS GHILES

INTERNATIONAL capital markets are currently very liquid and these credit conditions are expected to permit borrowing by developing countries to rise by 19 per cent. this year to an estimated $21bn, including oil-producing less-developed countries (LDCs).

Under the current conditions of high liquidity the financing of the non-oil LDCs' current account deficit estimated by the OECD at $33bn this year, should present no problem but "can such conditions be expected to last?" asks the latest issue of The Amex Bank Review.

"The outlook of a tighter credit market could reduce both the gross and the net flow of credit to the LDCs and particular LDCs could find such a turnround in market conditions very damaging to their growth programmes," according to the Review.

One of the ways it suggests that LDCs could reduce their dependence on external finance is in building regional interdependence through regionally based commercial banks. Asia provides a practical example of the worth of such a development and the encouragement this lends to support regional trade efforts.

This can be useful in three ways, it is argued. "Regionally based banks will be able to offset the inadequate risk judgments of the less well informed institutions outside the region by dealing in the reverse direction in the secondary market."

Second, "export finance on a regional basis will be encouraged" and this will stimulate regional trade as well as exports outside the region.

Third, "project finance which, to be successful needs a close working knowledge of the local scene will be more efficiently encouraged."

Amex Bank estimates on debt servicing costs underline how important it will be for LDCs to be able to rely on a steady flow of private capital in the years to come.

Taking the six major borrowers from the banks (Argentina, Brazil, Korea, Mexico, Peru, Philippines) "by 1980, of every two dollars borrowed from the banks, one would be to service old debt. This estimate is probably conservative."

Profits rise at Dresdner

MUNICH, May 21.

OPERATING PROFITS of Dresdner Bank in the first four months of this year were above the level of the comparable 1977 period as a result of sharply higher trading earnings, managing board spokesman Herr Helmut Haeusgen said, though he gave no specific profit figures.

He told the annual meeting that average business volume over the period was markedly above the average for 1977, as was the surplus on interest earnings.

Credit uptake was sluggish and the balance sheet total slipped to DM60bn from DM62.1bn at the end of December, but turnover in securities trading increased significantly.

Herr Haeusgen said there was as yet no sign of a recovery in credit business, though the economy should improve more strongly in the second half of this year than in the first six months.

If the economic recovery was too weak, the best solution would be to relieve tax burdens in both the private and corporate sectors, as well as improving the conditions for depreciation, he added.

Agencies

Esselte bid opposed

THE State of Massachusetts has moved to halt the takeover bid for Dymo Industries, the labelling company of San Francisco by Esselte, the Swedish paper and publishing concern, reports AP-DJ from Boston.

The Secretary of State's Office filed a cease and desist order with Esselte and then filed a motion in State Court for a restraining order against the takeover bid.

Dymo owns four subsidiaries in Massachusetts employing 950 persons, the State said.

The State said that Esselte violated Massachusetts laws, by failing to file with the State forms indicating the possible effects of the takeover on operations in Massachusetts.

Amex in Spanish venture

BY ROBERT GRAHAM

MADRID, May 21.

AMERICAN EXPRESS has formed a joint company with Spain's leading merchant bank, Banco Urquijo, to promote a peseta denominated credit card. The company, American Express de Espana, will have a Pta 50m ($625,000) capital subscribed on a 50-50 basis.

American Express chairman, Mr. James Robinson said here that the company had decided to launch a peseta credit card in partnership with Banco Urquijo in view of the latter's expertise and believing this was the best way of entering a market. Spain already has such cards as mastercharge peseta denominated.

American Express is aiming at the upper end of the market and specifically at Spanish businessmen. In this respect Urquijo is well placed. Not only does it have extensive business contacts but also has a select clientele of some 100,000 who hold checking accounts.

MONEY MARKET

Fears over monetary controls

BY COLIN MILLHAM

The third Wednesday in the month has been a very hectic day in the London money market since the early part of this year. This is the day when figures are taken for publication in the monthly banking statistics, and it has always been the case that some London banks are under more pressure than others to ensure that they have the correct ratio of reserve assets on "make up" day.

It has probably never been a problem with the major clearing banks, but some other banks domiciled in London may not have been so punctilious in ensuring that 12½ per cent of their sterling deposit liabilities are held in the form of reserve assets during the rest of the month.

This situation has generally been overlooked, since on any one day the discount houses have always been able to meet the requirement for reserve assets from a limited source, without putting too much strain on the monetary system.

Over the past few months however, there has been an increasing fear that the growth in the money supply has been excessive, and that the authorities may be forced eventually to take action by reimposing "corset" controls on the banks interest bearing eligible liabilities.

Monetary bulletins from stockbrokers W. Greenwell have often had a strong influence on market sentiment, but whatever the outcome of the eligible liabilities in the next banking figures Greenwell cannot be blamed. Its call on Thursday for new "corset" controls came one day after published figure day for the banks and therefore had no influence on that day's trading.

Even so, conditions were very chaotic on Wednesday, because the situation over banks reserve assets has been exaggerated by the desire to increase elibigle liabilities, thus increasing the monetary base as a guard against new controls.

Funds lent at call to the discount houses count as reserve assets without reducing eligible liabilities, and for this reason the houses have found money thrust upon them on published figure day. Last Wednesday call money with a discount house fell to 2 per cent in places, while interbank overnight rates touched 30 per cent.

This rather crazy situation will only be resolved by a sharp reduction in the growth of the money supply from an annualised rate of over 20 per cent, or by some statement from the authorities about the "corset."

Demand from the banks for Treasury bills (which are also reserve assets) on Tuesday, ahead of "make up" day, pushed bill rates down to a level almost indicating a fall in Minimum Lending Rate last week. This was only a few days after MLR had been raised to 9 per cent and was on a day when sterling fell to its lowest level against the dollar since last November.

Some banks obviously regarded the purchase of Treasury bills as an alternative to lending money to discount houses at unrealistic rates. This was an artificial situation, but clearly illustrates how such technical considerations can override wider economic events in the short term.

May 19 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	6-8¾	—	—	—	8	7-7¾	—	—	—
2 days notice	—	—	8⅛-8¾	—	—	—	—	—	—	—
7 days or 7 days notice	—	8¼-8⅞	8⅝-8⅞	—	8-9	9	7¼-7½	—	—	—
One month	8⅞-8⅝	8⅞-9	8¾-9	9¼-8⅞	9-9¼	9¼	7½-8	8⅜	8⅝-8[illegible]	9
Two months	[illegible]	9¼-9⅜	—	9⅛-8½	9¼-9½	—	8⅛	[illegible]	[illegible]	9⅛
Three months	9⅜-9¼	9¼-9½	8⅞-9	9⅛-8⅝	9½-9⅝	9½	8⅝	8½	[illegible]	9⅜
Six months	[illegible]	9⅝-9⅞	9⅛-9½	9⅛-8⅝	9⅝-10⅛	—	—	—	[illegible]	9⅝
Nine months	[illegible]	[illegible]	—	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills [illegible] per cent; four-month trade bills [illegible] per cent. Approximate selling rate for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent; and also three-month [illegible] per cent.

Finance House Base Rates (published by the Finance Houses Association) [illegible] per cent from May 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 6 per cent. Clearing Banks Base Rates for lending 9 per cent. Treasury Bills: Average tender rates of discount 8.4324.

FOREIGN EXCHANGES

May 19	Bank Rate %	Day's Spread	Close
New York	[illegible]	1.8060-1.8175	1.8065-1.8075
Montreal	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

‡ Rates given for convertible francs. Financial franc [illegible].

CURRENCY RATES

May 19	Special Drawing Rights	European Unit of Account
Sterling	0.670311	0.672253
U.S. dollar	1.21467	1.21765
Canadian dollar	[illegible]	[illegible]
Austria sch.	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwgn. krone	[illegible]	[illegible]
Spain peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

EXCHANGE CROSS-RATES

May 19	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankfurt	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

Sterling in Milan 1579.05-35.

EURO-CURRENCY INTEREST RATES

May 19	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: two-day [illegible] per cent; seven-day [illegible] per cent; one-month [illegible] per cent; three-month [illegible] per cent; six-month [illegible] per cent; one-year [illegible] per cent.

Long-term Eurodollar deposits: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month [illegible] per cent; three-month [illegible] per cent; six-month [illegible] per cent; one-year [illegible] per cent.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	May 19	May 18
Gold Bullion (a fine ounce) Close	$178¼-178¾	$177¼-178
Opening	$178¼-179¼	$177½-178¼
Morning fixing	$178.65	$176.75
Afternoon fixing	$178.60	$177.90
Gold Coins, domestically Krugerrand	$183½-185½	$182¼-184¼
New Sovereigns	$54¼-56¼	$55-57
Old Sovereigns	$55½-57¼	$55½-57¼
Gold Coins, internationally Krugerrand	$183½-185½	$182¼-184¼
New Sovereigns	$54¼-56¼	$55-57
Old Sovereigns	$55½-57¼	$55¼-57
$20 Eagles	$275-278	$274-277

OTHER MARKETS

	£		Note Rates
Argentina	[illegible]	Austria	[illegible]
Australia	[illegible]	Belgium	[illegible]
Brazil	[illegible]	Denmark	[illegible]
Finland	[illegible]	France	[illegible]
Greece	[illegible]	Germany	[illegible]
Hong Kong	[illegible]	Italy	[illegible]
Iran	[illegible]	Japan	[illegible]
Kuwait	[illegible]	Netherlands	[illegible]
Luxembourg	[illegible]	Norway	[illegible]
Malaysia	[illegible]	Portugal	[illegible]
N. Zealand	[illegible]	Spain	[illegible]
Saudi Arab.	[illegible]	Switzerland	[illegible]
Singapore	[illegible]	United States	[illegible]
S. Africa	[illegible]	Yugoslavia	[illegible]
U.S.	[illegible]		
Canada	[illegible]		

Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	0.50-0.40c pm	[illegible]
Montreal	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible] c pm, 12-month [illegible] c pm.

MINING NOTEBOOK

Namib desert may have another uranium mine

BY LODESTAR

FOLLOWING up his comments from Namibia last Monday on the RTZ group's Rossing uranium mine, our Mining Editor, Kenneth Marston, has been having a look at the prospects for another uranium project there.

It is the General Mining group's Langer Heinrich deposit which is also in the Namib desert some 50 miles south of Rossing. It is surrounded by the usual aura of secrecy but Marston believes that a go-ahead decision could be made in the not too distant future, possibly before Namibia reaches independence at the end of the year.

The ore deposit is not so large as Rossing's but is still thought to be of substantial size. Moreover, its uranium grade is better with "guesstimates" putting it at about twice that of the very low-grade Rossing.

The ore lies on the surface and is thus easy to mine. Pilot plant tests indicate that there should be no major treatment problems although the ore is of the abrasive kind found in this region.

It is thought that General Mining may risk Namibia's political uncertainties and start operations off on a small scale with the mine generating capital funds as it progresses and so avoiding the big initial financial commitment that would otherwise be necessary.

The General Mining group, which now includes Union Corporation, is already a substantial uranium producer accounting for some 26 per cent. of South Africa's output last year. Its mine also turns out about 18 per cent. of the country's gold, 35 per cent. of its platinum and 38 per cent. of the coal.

Now the group, through its control of Union Corporation, has a new gold-uranium mine in prospect at Palmietkuil away to the south of the St. Helena property. Its go-ahead depends on securing satisfactory uranium contracts which should not be difficult these days. Its capital cost has not yet been disclosed but it will probably be not much under R250m. (£158m.).

The question naturally arises of how this can be financed against the background of the strain on General Mining's resources of the Union Corporation acquisition and the general problems involved in raising funds for South African ventures.

In Johannesburg Marston learned that General Mining's financial stringency has eased considerably as the pending 1977 annual report should show. Helping the improvement has been the sale of investments. The U.S. dollar loan has now been reduced to the point where there is no real foreign exchange risk.

It should also be borne in mind, Marston points out, that General Mining's ultimate parent is Sanlam the big South African insurance group with its strong cash flow.

He also drew a denial from General Mining that it is in any way in the running for a takeover of Gold Fields of South Africa as was at one time rumoured.

It does not want to increase its dependence on gold although it estimates that the price thereof will average a little above $175 this year rising to $195 in 1979 and $215 in 1980.

General Mining under the guidance of Dr. W. J. de Villiers has undoubtedly acquired a new dynamism in recent years. It considers itself to have completed the consolidation phase that followed its move into Union Corporation in 1975 and is now looking for new investment opportunities within South Africa.

The group's 1977 earnings equalled 520 cents a share and the dividend was lifted to 225 cents (142p). The current-year outlook is a less buoyant but General Mining hopes at least to maintain overall profits. Friday's price was £16.

Marston also tells me that another big new South African venture the Black Mountain base-metal project in the north-west Cape is on schedule for a production target of early 1980 for a shallow underground mine at a capital cost of R181m (£115m).

The co-venturers are America's Phelps Dodge along with Gold Fields of South Africa and its associate Vogelstruisbult Metal Holdings.

An initial mill rate of 1,125,000 tonnes per annum is envisaged producing, at present metal prices, an average net revenue of between R50m (£31.7m) and R60m (£38m) a year of which lead and silver are expected to contribute about 85 per cent.

The other metals are copper and zinc. Milling is planned to rise to 1.6m tonnes per annum eventually.

Black Mountain presents striking evidence of mining investment's long-term nature in that, with loan repayments being given priority, dividends are not expected to begin until six years after start-up. Marston says that proposals for purchase of most of the concentrates have been received from smelters.

This, together with a better product mix, is reckoned to be the reason why this project is going ahead whereas the big nearby Gamsberg lead-zinc venture by Anglo American and America's Newmont has been put on ice pending better metal prices.

INSURANCE

Public ignorant about Motor Insurers' Bureau work

BY OUR INSURANCE CORRESPONDENT

KNOWLEDGE of the existence of the Motor Insurers' Bureau is reasonably widespread, not confined just to motor insurers and lawyers dealing with compensation claims. Yet the purpose and the scope of the Bureau's activities are all too often misunderstood, so that, for example, complaints are levelled against it that it does not pay compensation for property damage.

The bureau was established by agreement between the motor insurance market (companies and Lloyds') and the Government in 1948, with the main purpose of compensating victims of uninsured motorists injured on our roads. Then, very quickly, the bureau established rules for dealing with claims by the victims of untraced motorists.

In the late 1960s and early 1970s when a number of motor insurers failed, the bureau stepped in to deal with the injury claims that were in train against policyholders of those failed insurers. From time to time—and particularly recently—the operational rules of the bureau have been changed to ensure that assessment of compensation is made as fairly as possible, and is seen to be so made. There is an appeal system to enable disgruntled claimants to have their cases reviewed.

The bureau's compensation funds are raised by levy, and motor insurers have to contribute proportionately to their premium incomes. In the past couple of years the annual outlay of the bureau has been in the region of £4m, and the number of applications for compensation continues to rise each year.

I have often felt that the bureau, like so many worthy insurance organisations, is among its own worst enemies, and overshy of publicity. Would it not be in the bureau's interest to published and publicise each year a statement of its activities and a balance-sheet showing all that has been done in this most important area of motor insurance public relations?

Third party

These thoughts were provoked last Thursday when I read the report of a motor injury compensation claim on which Forbes J. had delivered judgment in the Queen's Bench Division the day before. The dispute in Porter v. MIB arose out of a little explored clause of the bureau's 1972 agreement with the Department of Transport. For those who want to pursue the point in detail, the clause in question is 6 (1) (c) (ii).

Let us stick to simple facts. Mrs. Porter had imported a car and had it detained for some while at Harwich by the customs. Then she was warned that she should not drive the car away as she had no insurance and that if she wanted to take the car away she must find an insured driver. She asked a Mr. Addo, whom she knew to be a motorist and he agreed to drive the car. On the way from Harwich there was an accident in Mrs. Porter was injured and for which, on the facts, Forbes J. decided that Mr. Addo had been responsible. But—and you will have guessed the point now—Mr. Addo had no third party insurance covering his driving of other people's cars.

In the ordinary course of events this aspect would not have involved the bureau in legal disput, and Mrs. Porter's claim would probably have been handled like thousands of others as a claim against an uninsured motorist. But, putting it simply, the clause in question provides that the bureau does not pay if the claim is from a passenger who is the owner of the vehicle, and "was using or causing or permitting the vehicle to be used" without insurance, "knowing or having reason to believe" that no insurance was in force.

This provision in all conscience is surely right and proper.

The bureau got into court because there was a complete conflict of evidence between Mrs. Porter and Mr. Addo on what had actually been discussed before the journey and whether or not Mrs. Porter knew or had reason to believe that Mr. Addo had no insurance.

In the event, having heard the evidence, the judge believed Mrs. Porter, when she said that she did not know that Mr. Addo was not insured. He therefore ruled that if Mr. Addo did not pay, the Bureau must satisfy Mrs. Porter's claim.

Built-in bias to Tories is unlikely if EEC poll boundaries approved

BOUNDARY recommendations for the European Parliament elections to be held in the UK on June 7 next year were published yesterday by the Boundary Commissions for England and Wales. Those for Scotland will follow in about two weeks.

The recommendations, which have to be approved by Parliament, show that if the main parties run neck and neck in opinion polls the result would be evenly balanced between Conservatives and Labour. Some Labour politicians had feared there would be an in-built bias towards the Tories.

The commissions tried to ensure that the 66 constituencies in England and the four in Wales are as near to an average electorate of 516,000 as possible.

This has meant merging between six and ten Westminster constituencies. Biggest of the proposed seats is Hampshire West with 570,173 voters and the smallest Lancashire East with 466,393.

Voting in the first direct elections will be on the existing simple majority system operating at Westminster, which means that the Liberals have almost no chance of securing a seat.

The intention is to standardise procedures for all Community countries in subsequent elections. The detailed list for England and Wales is as follows:

Northumbria (electorate [illegible]) includes parliamentary constituencies Berwick-upon-Tweed, Blyth, Hexham, Morpeth, Newcastle upon Tyne Central, Newcastle upon Tyne East, Newcastle upon Tyne North, Newcastle upon Tyne West, Wallsend.

South Tyne and Wear (505,[illegible]) includes Blaydon, Gateshead East, Gateshead West, Jarrow, South Shields, Sunderland North, Sunderland South, Tynemouth.

Cumbria (525,065) includes Barrow-in-Furness, Carlisle, Lancaster, Morecambe and Lonsdale, North Fylde, Penrith and the Border, Westmorland, Whitehaven, Workington.

Durham (542,479) includes Bishop Auckland, Chester-le-Street, Consett, Darlington, Durham, Houghton-le-Spring, North West Durham, Richmond.

Cleveland ([illegible]) includes Cleveland and Whitby, Easington, Hartlepool, Scarborough, Teesside Middlesbrough, Teesside Redcar, Teesside Stockton, Teesside Thornaby.

Yorkshire Central (475,076) includes Barkston Ash, Goole, Harrogate, Ripon, Skipton, Thirsk and Malton, York.

Humberside (505,556) includes Bridlington, Brigg and Scunthorpe, Haltemprice, Howden, Kingston upon Hull Central, Kingston upon Hull East, Kingston upon Hull West.

Lancashire Central (527,572) includes Blackpool North, Blackpool South, Chorley, Preston North, Preston South, South Fylde, Westhoughton, Wigan.

Lancaster East (466,393) includes Accrington, Blackburn, Burnley, Clitheroe, Darwen, Heywood and Royton, Nelson and Colne, Rossendale.

Yorkshire West (492,881) includes Bradford North, Bradford South, Bradford West, Brighouse and Spenborough, Halifax, Keighley, Shipley, Sowerby.

Leeds (487,473) includes Batley and Morley, Leeds East, Leeds North East, Leeds North West, Leeds South, Leeds South East, Leeds West, Pudsey.

Liverpool (476,292) includes Bootle, Liverpool Edge Hill, Liverpool Garston, Liverpool Kirkdale, Liverpool Scotland Exchange, Liverpool Toxteth, Liverpool Walton, Liverpool Wavertree, Liverpool West Derby.

Lancashire West (557,726) includes Crosby, Huyton, Ince, Ormskirk, St. Helens, Southport, Widnes.

Greater Manchester West (533,910) includes Altrincham and Sale, Bolton East, Bolton West, Eccles, Farnworth, Leigh, Salford East, Salford West, Stretford.

Greater Manchester South (522,290) includes Cheadle, Manchester Ardwick, Manchester Blackley, Manchester Central, Manchester Moss Side, Manchester Openshaw, Manchester Withington, Manchester Wythenshawe, Stockport North, Stockport South.

Greater Manchester North (507,700) includes Ashton-under-Lyne, Bury and Radcliffe, Manchester Gorton, Middleton and Prestwich, Oldham East, Oldham West, Rochdale, Stalybridge and Hyde.

Yorkshire South West (498,038) includes Colne Valley, Dewsbury, Hemsworth, Huddersfield East, Huddersfield West, Normanton, Pontefract and Castleford, and Wakefield.

Yorkshire South (524,232) includes Barnsley, Dearne Valley, Doncaster, Don Valley, Penistone, Rotherham, Rother Valley.

Cheshire West (503,411) includes Bebington and Ellesmere Port, Birkenhead, City of Chester, Nantwich, Northwich, Wallasey, and Wirral.

Cheshire East (494,730) includes Crewe, Hazel Grove, Knutsford, Macclesfield, Newton, Runcorn, Warrington.

Derbyshire (525,354) includes Belper, Bolsover, Derby North, Derby South, High Peak, Ilkeston, South East Derbyshire, West Derbyshire.

Sheffield (519,621) includes Chesterfield, North East Derbyshire, Sheffield Attercliffe, Sheffield Brightside, Sheffield Hallam, Sheffield Heeley, Sheffield Hillsborough, Sheffield Park.

Nottingham (503,797) includes Ashfield, Bassetlaw, Beeston, Mansfield, Nottingham East, Nottingham North, Nottingham West.

Lincolnshire (477,794) includes Gainsborough, Grantham, Grimsby, Holland with Boston, Horncastle, Lincoln, Louth.

Salop and Stafford (475,456) includes Ludlow, Newcastle-under-Lyme, Owestry, Shrewsbury, South West Staffordshire, Stafford and Stone, The Wrekin.

Staffordshire East (506,910) includes Burton, Cannock, Leek, Lichfield and Tamworth, Stoke on Trent Central, Stoke on Trent North, Stoke on Trent South.

Midlands West (544,498) includes Dudley East, Dudley West, Halesowen and Stourbridge, Walsall North, Walsall South, Wolverhampton North East, Wolverhampton South East, Wolverhampton South West.

Birmingham North (543,068) includes Aldridge-Brownhills, Birmingham Erdington, Birmingham Perry Barr, Birmingham Stechford, Sutton Coldfield, Warley East, Warley West, West Bromwich East, West Bromwich West.

Birmingham South (519,355) includes Birmingham Edgbaston, Birmingham Hall Green, Birmingham Handsworth, Birmingham Ladywood, Birmingham Northfield, Birmingham Selly Oak, Birmingham Small Heath, Birmingham Sparkbrook, Birmingham Yardley.

Midlands East (470,656) includes Blaby, Bosworth, Loughborough, Meriden, Nuneaton, Rugby.

Leicester (508,783) includes Carlton, Leicester East, Leicester South, Leicester West, Melton, Newark, Rushcliffe.

Cambridgeshire (543,497) includes Cambridge, Cambridgeshire, Huntingdonshire, Isle of Ely, Peterborough, Rutland and Stamford, Wellingborough.

Norfolk (485,734) includes North Norfolk, North West Norfolk, Norwich North, Norwich South, South Norfolk, South West Norfolk, Yarmouth.

Suffolk (512,420) includes Bury St Edmunds, Eye, Harwich, Ipswich, Lowestoft, Sudbury and Woodbridge.

Hereford and Worcester (506,925) includes Bromsgrove and Redditch, Hereford, Kidderminster, Leominster, South Worcestershire, West Gloucestershire, and Worcester.

The Cotswolds (502,268) includes Banbury, Cheltenham, Cirencester and Tewkesbury, Gloucester, Mid-Oxon, Oxford, Stroud.

Midlands Central (478,412) includes Coventry North East, Coventry North West, Coventry South East, Coventry South West, Solihull, Stratford-on-Avon, Warwick and Leamington.

Northamptonshire (510,007) includes Aylesbury, Buckingham, Daventry, Harborough, Kettering, Northampton North, Northampton South.

The Chilterns (540,006) includes Hemel Hempstead, Luton East, Luton West, St Albans, South Bedfordshire, South Hertfordshire, South West Hertfordshire, and Watford.

Bedford and Hertford (479,283) includes Bedford, East Hertfordshire, Hertford and Stevenage, Hitchin, mid-Bedfordshire, Welwyn and Hatfield.

Essex South West (486,636) includes Basildon, Brentwood and Ongar, Chelmsford, Epping Forest, Harlow, and Thurrock.

Essex North East (491,108) includes Braintree, Colchester, Maldon, Saffron Walden, South East Essex, Southend East, Southend West.

Bristol (583,268) includes Bristol North East, Bristol North West, Bristol South, Bristol South East, Bristol West, Chippenham, Kingswood, South Gloucestershire.

Upper Thames (520,762) includes Abingdon, Devizes, Henley, Newbury, Reading North, Reading South, Swindon.

Thames Valley (516,331) includes Beaconsfield: Chesham and Amersham, Eton and Slough, Spelthorne, Windsor and Maidenhead, Wokingham, Wycombe.

Cornwall and Plymouth (453,078) includes Bodmin, Falmouth and Camborne, North Cornwall, Plymouth Devonport, Plymouth Drake, Plymouth Sutton, St. Ives, and Truro.

Devon (522,147) includes Exeter, Honiton, North Devon, Tiverton, Torbay, Totnes, and West Devon.

Somerset (535,121) includes Bath, Bridgwater, North Somerset, Taunton, Wells, Weston-super-Mare, Yeovil.

Wessex (543,966) includes Bournemouth East, Bournemouth West, Christchurch and Lymington, North Dorset, Poole, South Dorset, Westbury, West Dorset.

Hampshire West (570,173) includes Basingstoke, Eastleigh, New Forest, Salisbury, Southampton Itchen, Southampton Test, and Winchester.

Wight and Hampshire East (568,325) including Aldershot, Fareham, Farnham, Gosport, Isle of Wight, Petersfield, Portsmouth North, Portsmouth South.

Surrey (548,730) includes Chertsey and Walton, Dorking, Epsom and Ewell, Esher, Guildford, North West Surrey, Reigate, and Woking.

Sussex West (548,814) includes Arundel, Chichester, Havant and Waterloo, Horsham and Crawley, mid-Sussex, Shoreham and Worthing.

Sussex East (531,112) includes Brighton Kemptown, Brighton Pavilion, Eastbourne, East Grinstead, Hastings, Hove, Lewes, Rye.

Kent West (564,774) includes Dartford, East Surrey, Gillingham, Gravesend, Rochester and Chatham, Royal Tunbridge Wells, Sevenoaks, Tonbridge and Malling.

Kent East (554,782) includes Ashford, Canterbury, Dover and Deal, Faversham, Folkestone and Hythe, Maidstone, Thanet East, and Thanet West.

London West (529,106) includes Ealing Acton, Ealing North, Ealing Southall, Hillingdon, Hayes and Harlington, Hillingdon, Ruislip Northwood, Hillingdon, Uxbridge, Hounslow, Brentford and Isleworth, Hounslow, Feltham and Heston.

London North West (510,483) includes Barnet Chipping Barnet, Barnet Hendon North, Barnet, Hendon South, Brent East, Brent North, Brent South, Harrow Central, Harrow East, Harrow West.

London Central (519,301) includes Camden Hampstead, Camden Holborn and St. Pancras South, Camden St. Pancras North, City of London and Westminster South, City of Westminster St. Paddington, City of Westminster St. Marylebone, Hammersmith, Fulham, Hammersmith North, Kensington and Chelsea Chelsea, Kensington and Chelsea, Kensington.

London North (546,594) includes Barnet Finchley, Enfield Southgate, Hackney Central, Hackney North and Stoke Newington, Hackney South and Shoreditch, Haringey Hornsey, Haringey Tottenham, Haringey Wood Green, Islington Central, Islington North, Islington South and Finsbury.

London North East (520,590) includes Enfield Edmonton, Enfield North, Newham North West, Newham South, Tower Hamlets, Bethnal Green and Bow, Tower Hamlets Stepney and Poplar, Waltham Forest Chingford, Waltham Forest Leyton, Waltham Forest, Walthamstow.

London East (546,338) includes Barking, Barking Dagenham, Havering Hornchurch, Havering Romford, Havering Upminster, Newham North East, Redbridge Ilford North, Redbridge Ilford South, Redbridge Wanstead and Woodford.

London South West (523,815) includes Kingston upon Thames, Kingston upon Thames Surbiton, Lambeth Central, Lambeth Vauxhall, Richmond upon Thames Richmond, Richmond upon Thames Twickenham, Wandsworth Battersea North, Wandsworth Battersea South, Wandsworth Putney, Wandsworth Tooting.

London South (506,222) includes Croydon Central, Croydon North East, Croydon North West, Croydon South, Merton Mitcham and Morden, Merton Wimbledon, Sutton and Cheam, Sutton Carshalton.

London, South Inner (523,479) includes Greenwich, Lambeth Norwood, Lambeth Streatham, Lewisham Deptford, Lewisham East, Lewisham West, Southwark Bermondsey, Southwark Dulwich, Southwark Peckham.

London South East (500,717) includes Bexley Bexleyheath, Bexley Erith and Crayford, Bexley Sidcup, Bromley Beckenham, Bromley, Chislehurst, Bromley Orpington, Bromley Ravensbourne, Greenwich Woolwich East, Greenwich Woolwich West.

North Wales (498,731) includes Anglesey, Caernarvon Conway, Denbigh, West Flint, East Flint, Merioneth, Wrexham, and Montgomery.

Mid and West Wales (486,918) includes Cardigan, Brecon and Radnor, Pembroke, Carmarthen, Llanelli, Gower, Swansea West, and Swansea East.

South East Wales (546,381) includes Rhondda, Aberdare, Merthyr Tydfil, Caerphilly, Ebbw Vale, Bedwelty, Abertillery, Pontypool, Newport and Monmouth.

South Wales (533,134) includes Neath, Aberavon, Ogmore, Pontypridd, Barry, Cardiff North West, Cardiff North, Cardiff West and Cardiff South East.

COMPANY NOTICES

NESTLÉ S.A., CHAM AND VEVEY, SWITZERLAND

PAYMENT OF DIVIDEND COUPONS

Notice is given to shareholders that following a resolution passed at a General Meeting of shareholders held on 18th May 1978, a dividend for the year 1977 will be paid to them as from 22nd May 1978, as follows:

per share	Frs. 72.—
less Swiss federal withholding tax of 35%	Frs. 25.20
or net	Frs. 46.80

against delivery of coupon No. 21.

This amount is payable in Swiss Francs. Paying Agents outside Switzerland will pay in the currency of the Country in which the coupons are presented, at the rate of exchange on the day of presentation.

Coupon No. 21 may be presented as from 22nd May 1978, to the following Paying Agents of the Company:

In Switzerland:
Swiss Credit Bank, Zurich, and its branches.
Swiss Bank Corporation, Basle, and its branches.
Union Bank of Switzerland, Zurich, and its branches.
Banque Populaire Suisse, Berne, and its branches.
Banque Cantonale Vaudoise, Lausanne, and its branches and agencies.
Banque Cantonale de Zurich, Zurich, and its branches.
Banque Cantonale de Berne, Berne, and its branches.
Banque Cantonale Zougoise, Zoug, and its branches.
Banque de l'Etat de Fribourg, Fribourg, and its agencies.
Darier & Cie, Geneva.
Lombard Odier & Cie, Geneva.
Pictet & Cie, Geneva.
Handelsbank N.W., Zurich.
Bank Leu Ltd., Zurich, and its branches.

In England:
Swiss Bank Corporation, London.
Swiss Credit Bank, London.
Union Bank of Switzerland, London.

In the United States of America:
Morgan Guaranty Trust Company of New York, New York.
Swiss Credit Bank, New York.
Swiss Bank Corporation, New York.

In France:
Crédit Commercial de France, Paris.
Banque de Paris et des Pays-Bas, Paris.

In Germany:
Dresdner Bank AG, Frankfurt/Main and Düsseldorf.

In Holland:
Pierson, Heldring & Pierson, Amsterdam.

In Austria:
Girozentrale und Bank der Österreichischen Sparkassen AG, Vienna.

Cham and Vevey.
18th May 1978 — The Board of Directors

UNILAC. INC.

PANAMA

PAYMENT OF A DIVIDEND

Notice is given to shareholders that following a resolution passed by the Board of Directors on 10th May 1978.

a dividend for the year 1977 of $5.50

per common share will be paid to them as from 22nd May, 1978, upon delivery of coupon No. 21 and this in accordance with the provisions of the Articles of Incorporation.

This dividend is payable in U.S. dollars. Paying Agents outside the United States will pay in the currency of the country in which the coupons are presented, at the rate of exchange on the day of presentation.

Coupon No. 21 may be presented as from 22nd May 1978, to the Paying Agents indicated in the notice of Nestlé S.A. bearing the same date In accordance with the Articles of Incorporation of the Company, it should be presented for payment at the same time as dividend coupon No. 21 of Nestlé S.A. bearing the same number as the corresponding Unilac, Inc. share.

Panama City.
18th May 1978 — The Board of Directors

BUCKLERSBURY FUND S.A.
Société Anonyme
37, rue Notre-Dame Luxembourg
R. C. Luxembourg B 8360

DIVIDEND NOTICE

A dividend of US$0.13 (13 cents) will be payable as from May 17th, 1978 to shares outstanding as at April 28th, 1978, against surrender of coupon no. 8.

By order of the Board of Directors
The Secretary

MARINE AND GENERAL MUTUAL LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN that the 126th Annual General Meeting of the Members of the Society will be held at MGM House, Heene Road, Worthing, West Sussex, on Wednesday, 21st June, 1978, at 12.30 p.m. for the following purposes:—

1. To receive the Report of the Directors and the Accounts for the year ended 31st December, 1977.
2. To elect Directors.
3. To re-appoint the Society's Auditors and to authorise the Directors to fix their remuneration.
4. To transact any other ordinary business of an Annual General Meeting.

Each Member may attend and vote in person or by proxy at meetings of the Society. A proxy need not be a Member of the Society.

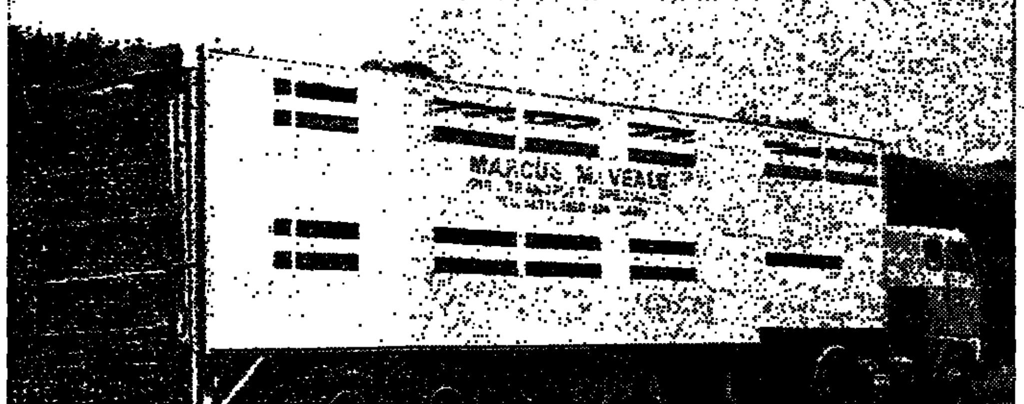
By Order of the Directors.
C. W. FORD, Secretary.
MGM House,
Heene Road,
Worthing
West Sussex BN11 2DY.
17th May, 1978.

FINANCIAL TIMES SURVEY

Monday May 22 1978

Trailers

With the depression of 1975 and 1976 now firmly behind it, the UK trailer industry is looking forward to a period of steady expansion. Even so manufacturers feel that prospects, particularly overseas, are not as bright as a year ago, and there has been some decline in the Middle East market.



A Bonallack Coldsaver (above) trailer built for Unifast International Forwarding's refrigerated service between the UK and the Midle East. Below is a York Special animal transporter.

An uphill climb out of recession

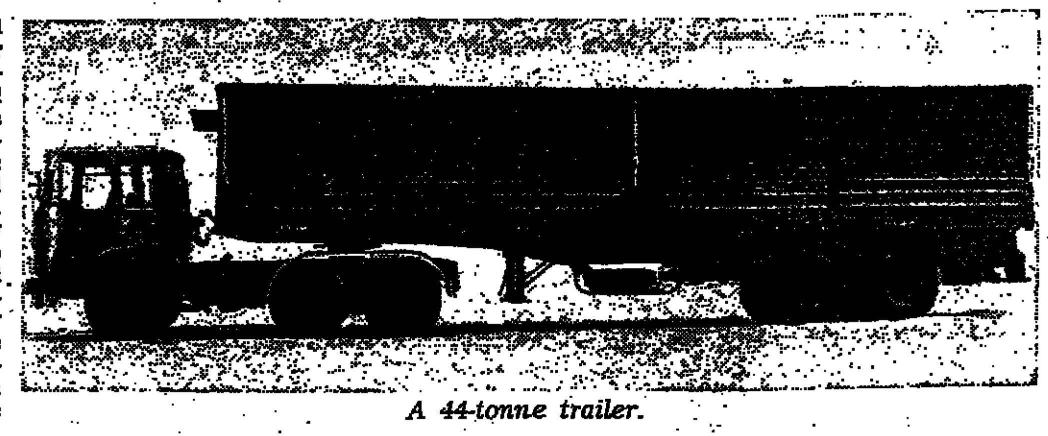
THE UK trailer industry picked itself up from the floor last year and put the two years of depression which hit it in 1975 and 1976 firmly behind it. The improvement, however, is unlikely to herald another boom such as the one that occurred in the late 1960s and early 1970s. Since that period of heady growth, when the big switch to heavier lorries, articulated vehicles and international haulage was going on, the industry has matured into a much more stable pattern of mainly replacement buying. Expansion in future can be expected to be only steady, although clearly a move to different vehicle weights, still a possibility, could give an additional stimulus.

The indications are that last year's growth in demand was mainly caused by replacement of trailer fleets which had been neglected in the 1975-76 period. Companies with cash flow problems during that period tended to put off the refurbishment of their vehicle fleets right across the board. But as profits and finances improved last year, they came back into the market rather than face increasing maintenance bills.

As a result, UK production rose to about 17,500 units, compared with some 13,500 drawbar and semi-trailers manufactured in the previous year, and 11,000 in the depth of the depression in 1975. UK sales went up from about 10,000 units in 1976 to 14,500, a rise of 45 per cent.

The big disappointment for the industry was that exports remained virtually static at around 3,000 units. This was mainly caused by the lack of manufacturing resources to cope both with the expansion at home and further efforts overseas. But there was also some decline in the general level of demand for exports, which rose sharply in the Middle East during the boom in oil production in 1975-76, but has since levelled off as equipment flooded in.

Manufacturers are not expecting a great change in this situation this year. Some export markets, such as Eastern Europe and Nigeria, remain healthy, and there has been an encouraging improvement in trailer component sales abroad: Rubery Owen Rockwell, the trailer axle manufacturer, for example, exports some 50 per cent of its production. But the likely trend is for Middle Eastern markets to level off, as many areas of the world move in favour of importing parts as they try to build up their own domestic industries. Because of these trends, much of the future for the British industry depends on how it fares in Europe in competition with its Continental rivals.



A 44-tonne trailer.

U.K. TRAILER PRODUCTION
(£000)

	1973 No.	1973 Value	1974 No.	1974 Value	1975 No.	1975 Value	1976 No.	1976 Value	1977 No.	1977 Value
Total trailers	22,169	43,121	19,066	51,170	11,024	38,571	13,497	51,047	17,500	—
of which, sales in UK domestic market	20,428	37,123	17,186	43,315	8,245	22,764	10,112	32,227	14,500	—

Source: Business Monitor. Department of Industry.

Overall, the Continental trailer manufacturing industry is probably more fragmented than the UK's, but most of the big markets have a similar pattern of two or three big producers dominating sales. The biggest difference in Europe is that the road haulage industry is not so large as it is in the UK, and although international trucking is well developed, the trailer stocks in these countries are probably not as great as in the UK.

The most recent international figures, given in the Monopolies Commission report on the Fruehauf/Crane Fruehauf merger indicates that total British trailer stocks, including both semi-trailers and drawbars, came to between 160,000 and 185,000 (trailers are not registered, so there are no precise figures). This compares with a total stock of 123,500 in Germany (80,300 drawbars and 43,200 semi-trailers), 111,000 in France (11,000 drawbars and 100,000 semi-trailers), and 62,000 in Italy (50,000 drawbars and 12,000 semi-trailers). The Netherlands, also a big trailer market because of Rotterdam's status as an entrepot, is calculated to have a stock of 41,800 units (10,200 drawbars, and 31,600 semi-trailers).

It is mostly because of the relative size of Britain's trailer industry that it has developed companies which are powerful in relation to the rest of Europe. Crane Fruehauf, for example, is probably the largest European trailer company, and is certainly bigger than any of the other Fruehauf subsidiaries in the region: it has sales of about £70m. a year compared with £50m in its French subsidiary and £30m in its German company. Fruehauf overall has a turnover of about £160m in Europe, giving it some 20 per cent of the European market of about £800m a year.

Companies in Europe are beginning to look on this market more and more as an integrated unit. This is what lay behind the hard-fought Fruehauf bid for Crane Fruehauf in the UK, an acquisition which has given the parent group the cornerstone on which it is aiming to build a European concern which co-ordinates its manufacturing and marketing organisations. Trailor, the largest French manufacturer, 58 per cent. owned by Pullman of the U.S., is trying to develop a similar strategy from its strong base in France—production there excelled Britain's last year at 26,000 units. Along with Britain, France is the key market in the European semi-trailer industry, with production regularly approaching the same level as in the UK. Germany and the Netherlands make only about a one-third of the total.

The move towards integration of the European market will, however, have to take account of differences in legislation and in operating practice in the haulage industry. Europe is by no means as homogeneous as the U.S. as yet, and probably never will be. In Germany, for example, legislation has encouraged the widespread use of drawbar trailers until they have become an integral part of the transport scene: in the UK, legislation has had the opposite effect. At the same time, Britain's stringent vehicle weight regulations have encouraged the construction of lighter trailers in an effort to achieve the maximum use of load carrying space.

EEC regulations will gradually iron out some of these differences, once the Community comes to grips with the thorny issue of vehicle weights and dimensions. This will have the effect of imposing more standardised designs. But at the same time, companies have had to adopt a more international stance in manufacturing in some areas to cope with the requirements for long-haul vehicles which have to be acceptable in a number of different countries.

Technology will also play its part in bringing a more rationalised structure to the industry and the product ranges. This is because the newer equipment for making the more sophisticated trailers—tankers and the like—will be so costly that only the larger companies will be able to afford to put down the capital. New methods of welding, metal bending and making glass-reinforced panels are all being discussed widely in the industry at the moment, along with new automated production processes. As they are developed, these techniques are bound to put more pressure on the marginal producers because of the cost savings they create: but it is likely that only a few of the larger groups will be in a position to go ahead with the capital investment involved.

It is clear already that the market has taken an irreversible step towards more sophisticated products and away from the old type of platform trailer which used to provide the backbone of the trucking industry. Enclosed trailers provide better security, far more protection against the weather and damage, and greater safety for other road users and truck drivers.

Thus although platform trailers still provide the largest proportion of vehicle stock at around 20 per cent. in the UK, enclosed vans for carrying dry freight and refrigerated goods, come a close second on about 19 per cent, to be followed by the curtain-sided and so-called TIR vehicles on about 14 per cent. Tankers account for another 9 per cent. Given that some of this vehicle stock is quite old, and therefore inherited from the days when platform trailers were more popular, it is clear that the newer forms of trailer are gaining ground fast: indeed, during 1977 the curtain-sided sector showed much the fastest growth, mainly because the design of these trailers offers all-round access, and a quick turnaround loading time, while guaranteeing security of the load.

It is also clear that these more complex products require more specialised skills in manufacturing. According to the Monopolies Commission report on the Fruehauf takeover of Crane, there are about 40 trailer manufacturers in Britain. Yet, of these, only 10 make frameless (monocoque) vans, and only 12 manufacture TIRs, while 15 are in the business of making large platform trailers.

This trend towards sophisticated products also clearly gives a chance to highly specialised trailer manufacturers who can build up a reputation in one particular area, such as Freight Bonallack in refrigerated vehicles, Tidd Strongbox in GRP panel vans, or King and R. A. Dyson in low loaders. Like the smaller lorry manufacturers, they can provide quality and know-how for customers who require special treatment. But it is unlikely that any of these smaller manufacturers will be able to expand into prominent operations as happened with a number of newcomers, such as Bodens, in the 1960s. Trailer manufacturing has now grown into a mature industry, with a fairly stable commercial structure in which the economies of scale will strengthen the hands of the larger producers.

Terry Dodsworth

Designing for efficiency

THE PROBLEMS of improving the design of such a basic piece of equipment as a trailer while keeping cost low and durability high have increased over recent years to the point where fine chiselling has become the order of the day.

The more efficient use of tractors coupled with the need to keep payloads high have produced lifting axles, or demountable bodies, but there has been no technical revolution and engineers are still more concerned with meeting various sets of regulations and adding sophisticated ancillary electronic equipment than they are with re-inventing the wheel.

While there are always hopes that a new material will burst on the scene, as light as balsa, as strong as steel, and as cheap as plastic, there are no signs that there is a breakthrough around the corner.

Admittedly there has been a growth in the use of aluminium and aluminium alloys for tipper trailers, and selective use of aluminium in ordinary articulated trailers and boxes can produce appreciable savings.

But there is a limit to its use on cost grounds and there are still some niggling problems with fatigue and welding quality, though these have now been largely overcome. One of the problems in Britain has been the careful control of vehicle weights. While their Continental partners take a more generous view on loading, the UK police keep a watchful eye, so every pound extra in a UK trailer is a pound of payload lost. This has meant that the trailer builders have had to walk a fine tightrope between weight-saving and loss of strength and ruggedness while European builders are able to beef up their product in anticipation of overuse.

And with materials accounting for about 70 per cent of a trailer's cost great care has to be taken in a price-sensitive market not to push the overall cost too far out of line with the competition.

On of the areas showing great benefit is the development of aerofoils. If one tries to run along with a sheet of hardboard similar to the area of the front of a lorry and trailer the resistance would be phenomenal. Yet comparatively few lorries use aerofoils despite the widespread research into airstreams which have had an influence on car designs.

Excitement

It has been estimated that efficient aerodynamics can lead to a reduction of 10 per cent. in consumption of diesel fuel, a saving that would have engine manufacturers jumping up and down with wild excitement. There are some very futuristic designs on the walls of senior designers in the truck industry, but actuality seems a long way off.

The attempt to minimise tyre friction seems to conflict with the wish for adhesion but York has developed the Hobo lifting axle so that when a trailer is under light load or unladen a whole set of wheels can be taken out of use with, says the company, a further saving of about 4 per cent in diesel fuel.

So far there has been little market enthusiasm for the super single, a wide single tyre instead of twin wheels on rear axles. But some South Coast petroleum tankers have run well on them and it is possible that this will be an idea that will be taken up again.

Taking the lorry as a whole it seemed that the greatest savings in weight would have to be made by the tractor manufacturers, but in fact it is the trailer builders who are constantly required to compensate for the excesses of their mechanical spouses.

Some of the specialist builders have brought new concepts into play and the small independent builders have always been adept at producing the bespoke article or a trailer to fit the very specialised needs of an individual customer.

There have also been moves to help the lot of the driver. From sliding doors and curtain-sided tilts to one-man handling of air lines and securing webs the trailer manufacturers have sought to ease the burden of loading and unloading and to speed up turnround. This pleases both the driver and the operator in a business where the ability to keep to tight schedules can mean the difference between profit and loss.

There has also been more use of refrigerated vehicles—commonly referred to as reefers—and with the prospect of ever more stringent regulations covering the transport of food it seems likely that there will be a growing market for this type of trailer.

In this area too there has been an increased use of glass-reinforced plastic and plywood sandwich which offers smooth sides, good impact resistance and ease of cleaning. The original specialists were Tidd Strongbox but both York and Crane Fruehauf are both now using the material and the method seems to have established itself as a permanent feature of the scene.

The next great design exercise will be the problem of conforming to whatever rules are agreed throughout the EEC. This will cover axle-loading, including the differences in distancing from the tractor cab, the positioning of the pivot pin for the articulated trailer and the amount of trailer load to be carried by the tractor axles.

The trailer builders are also ready to respond to any changes in materials handling as well as developments of fashion. But there is general agreement that many of the markets they are serving will retain highly individual characteristics and the industry seems ready to accommodate them.

They have shown the ability to adapt speedily to new materials, for instance the use of new cloths in such vehicles as the Tautliner developed by Boalloy, which gives all-round access coupled with great strength, and the clever use of webbing to give great strength under tension while still being light. So the industry still looks for the clever idea to overcome the limitations of traditional materials.

Stuart Alexander

Growth of leasing

LEASING IS by no means as common as yet in the UK as it is in the U.S., but in the last decade or so it has grown into a reasonably mature industry. In the haulage business it is gaining ground steadily now that many of the big fleets have shown the way in converting to this form of financing. "Ten years ago we used to have to convince people that we were respectable," says one leasing expert. "Today, most people realise that we have something to offer, and it is a matter of pursuading them that we have the right package for their particular purposes."

The pattern of development in the trailer industry has followed the lines mapped out first in car leasing and then in commercial vehicles. Customers first became interested about 10 years ago. Then the leasing business went through a period of growth which was followed by a plateau of activity during the market depression after the oil crisis. Many companies burned their fingers during this period, particularly on the Middle East run when leased trailers were frequently lost or stolen, and the leasing operators left to prove that they were irrecoverable in order to qualify for insurance compensation.

Interest was reawoken last year as industry began to pick up and haulage companies started replacing their fleets at a faster rate. The trailer industry, like the rest of the vehicle business, also benefited from the boost to leasing given by the alteration in the leasing regulations last year. This released lessees from the obligation of putting down a large front-end payment at the beginning of a lease and allowed them to go straight into the repayment system, thus smoothing out the flow of financing.

Companies take up leases for two main reasons. The first is that the system releases them from tying up a large amount of capital in equipment which they might be using elsewhere. This argument depends critically, of course, on what alternative uses the company has for the money, and there are occasions when any one business will want to alter its policy because of changed circumstances. In the last two or three years, however, the tightness of finance has meant that many companies have seen an advantage in turning to leasing, and balancing the rentals clearly against the money earned by the use of the equipment. The system also has the advantage of smoothing out cash flow since the pattern of rental payments is clearly known in advance.

The second important consideration behind leasing is that contracts can be written to provide users with maintenance and service. Some customers want this kind of backup so that the trickier problems of managing the fleet are shouldered by someone else, while they have guaranteed use of the trailers they are leasing. In this kind of area, known generally as contract hire, a wide variety of services is provided, from the complete administration of a fleet, including invoicing systems and so on, to regular maintenance deals, or maintenance and breakdown contracts.

There are no clear figures showing how far the trend towards leasing in the trailer industry has gone. But it is possible that this form of finance provides backing for about a tenth of the UK's total stock of trailers, now believed to stand at well over 160,000 units. This is roughly in line with the use to which leasing is being put in the car and general truck business. But, at the same time, the figure also indicates that there are possibilities for a great deal of growth, since in the U.S., where leasing finance has been available for much longer, and industry more used to taking advantage of it, the majority of trailers are now run under leasing contracts. Since the U.S.'s semi-trailer stock is reckoned to amount to about 1.5m units, this means that more than 700,000 pieces of equipment are being run under leasing contracts.

Opportunity

The boom in demand for trailer leasing last year encouraged a great number of new companies to enter the market in Britain—one established organisation calculates that about 30 new branches were opened up and down the country. The big finance houses, having moved into car leasing, are now taking a hard look at the commercial vehicle sector, including trailers, while a number of smaller entrepreneurial organisations are latching onto the opportunity provided by the fashion for leasing. But the two largest companies in the field remain Crane Fruehauf and Transport International Pool (TIP), who are both well ahead of their rivals in terms of the number of vehicles they have under leasing or contract hire arrangements.

The two companies, though both ultimately American-owned, are nevertheless very different in terms of where the emphasis of their business lies. Crane approaches it from the point of view of the trailer manufacturer adding another facet to the basic business of manufacturing; TIP, on the other hand, is a leasing specialist with wide experience in the vehicle industry, including cars. Its skill lies in identifying the right kind of leasing or rental deal for a particular customer, and then providing the expertise to fashion contracts to the particular needs of individual clients.

Both these companies possibly have about 3,000 trailers under their direction in the UK at present, and the indications are that this is about twice as many as their nearest rivals, such as Central Trailer of Manchester, or Xtra Trailers.

TIP, based at Watford, is particularly active in international haulage, concentrating on the sort of trailer fleets which are involved in long-range routes across Europe and even further afield. This bias is partly because the international haulage business tends to be more sophisticated in its use of finance, and therefore more ready to move to leasing. But TIP is itself a well-spread international group, with branches in most European countries, and an estimated European fleet of about 10,000 units. The trailer group is a part of Gelco, the largest of the U.S. vehicle leasing companies, which expanded in Europe a few years ago on the heels of the American vehicle and trailer manufacturing groups. Like the producers, Gelco has now built up a leading position in its own field—its car leasing company is establishing a major foothold in Britain—and on the trailers side possibly has the biggest leased fleet in Europe.

The Crane Fruehauf organisation also has some international links through the Fruehauf Corporation's European network. This is centred on RenTco Europe, which is registered in the Netherlands, and is jointly owned by Fruehauf International, RenTco Fruehauf France and Ackermann-Fruehauf of Germany. Two years ago, RenTco also took over the activities of ICS Trailer, a U.S.-based leasing company which was active on the Continent and in the U.K.

The Fruehauf leasing and rental subsidiaries, however, tend to work reasonably independently in each European country. In Britain, the group's activities in this field are split between a pure leasing company, which specialises only in finance, and a rental operation which offers a variety of contract hire schemes. The company says that about 50 per cent of its fleet is on fairly short-term contracts which include maintenance and servicing clauses.

Like Crane, other trailer manufacturers have examined leasing as a separate arm of their business. Craven Tasker, for instance, runs Eurofleet Rentals, and York has tested the water more than once in the last few years. But none of the others has made the same impact. York, indeed, the second largest UK manufacturer, has run down its leasing activities. The main competition today, is coming from financially orientated groups whose chief expertise lies in fashioning schemes to suit the tax and financial position of their clients.

How many of these groups will remain in business in the trailer industry is anyone's guess. Currently, a lot of purely fashionable interest is being shown in this sector, which is bound to die down in time. On the other hand, there is probably scope for one or two more large companies to appear and make their mark since it is likely that, within a ten-year period a much larger proportion of the trailer stock will have gone over to leasing.

Terry Dodsworth

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Exports provide a lifeline

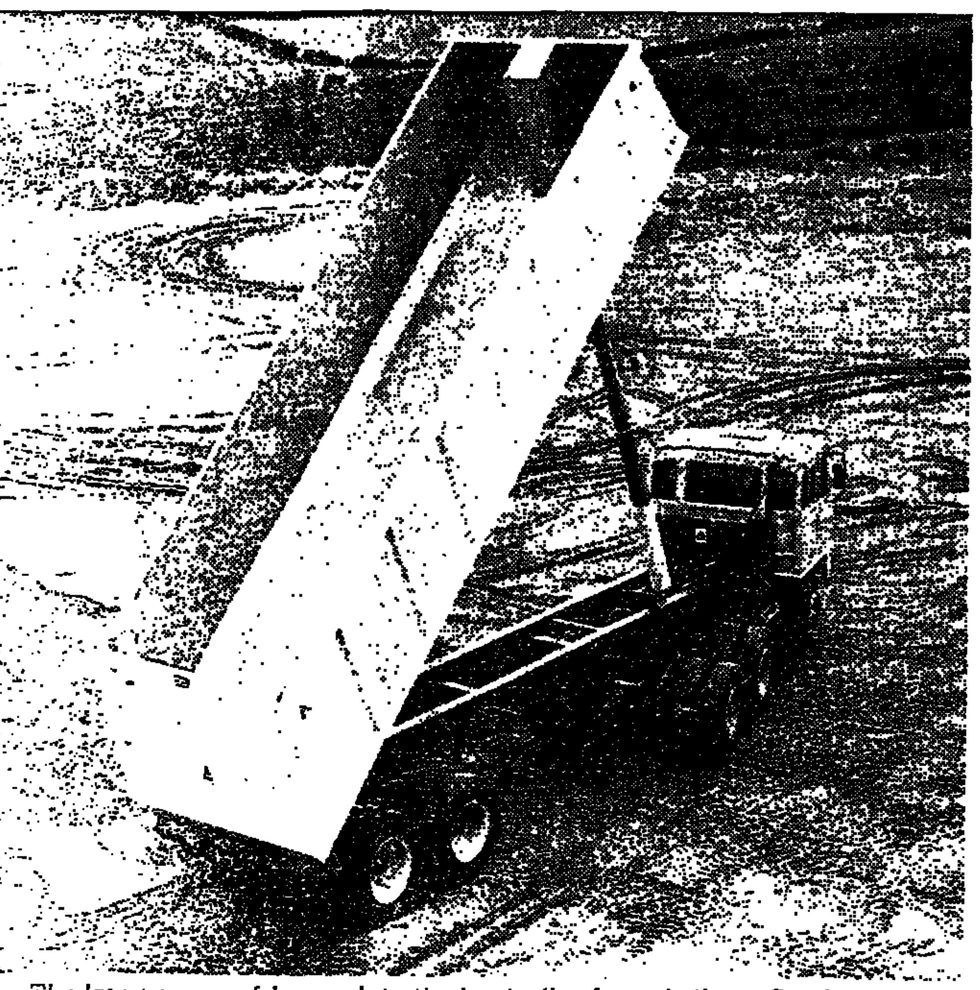
EXPORTS HAVE provided a valuable lifeline to the UK trailer industry during the difficult period of market decline during the mid 1970s. In the previous decade the industry had expanded rapidly as the British market converted from rail freight and haulage in rigid trucks to the newer concept of semi-trailers—a separate load-carrying unit hauled behind a tractor cab. At the same time, the steady growth of the economy helped the trailer manufacturers along by boosting demand. But as the oil crisis was followed by the three-day week, and the general level of industrial activity fell, the trailer manufacturers were left with a great deal of spare capacity on their hands.

Not all of the slack created at that time could be made up by exports. But the statistics show a steady trend towards overseas markets. In 1972, semi-trailer exports amounted to only 890 units, worth £2.7m; by 1974 this had risen to 1,625 units worth £6.5m, and by 1976 to 3,017 units worth £17.5m. Exports of trailer components also rose rapidly, going up from £1.8m worth in 1972 to £8.1m in 1976, some £3m worth of which went to the EEC.

Last year, the record was by no means as successful, exports remaining fairly static at around 3,000 units. But this can be mainly explained by the sharp upswing in the domestic market from about 10,000 sales to well over 14,500, which diverted production away from overseas opportunities. The industry simply was not capable of coping with the 50 per cent increase in demand at home and a further expansion of exports as well. If demand stays fairly steady in the UK this year, or shows only a gradual increase, overseas sales may experience another substantial upturn.

A small part of the improvement in overseas sales can be accounted for by the growth of trade with the EEC since Britain's accession in 1973. Indeed, in 1973, semi-trailer exports jumped from 890 units in the previous year to 1,440, an expansion which could mostly be attributed to EEC markets, which took 816 units against 267 in the previous year. Since then, sales have risen progressively in Europe, going up step by step to 987 units in 1976, worth £5.3m — about 30 per cent of the total value of overseas sales. At the same time, the value of parts exports to the EEC has risen even more sharply, increasing from £0.6m in 1972, to £3m in 1976, much of which was probably due to the successful assembly operation now run by York Trailers in Holland.

Perhaps a more significant area of growth has been in the Middle East, although there are no official figures to indicate precisely what this market accounts for. All the big UK producers — Crane, York and Craven Tasker — say they have experienced strong sales in this area, where there is heavy demand for specialised vehicles. On the one hand, the growth of oil production has brought with it the need for very heavy-duty low-loader trailers for transporting enormous pieces of drilling and production equipment; on the other, the rapid escalation of building and construction has created demand for tipping trailers of various kinds; and in addition, the expansion of consumption of all kinds of Western luxuries has increased the requirement for a basic haulage and trailer industry, along with specialised equipment such as refrigerated van trailers.

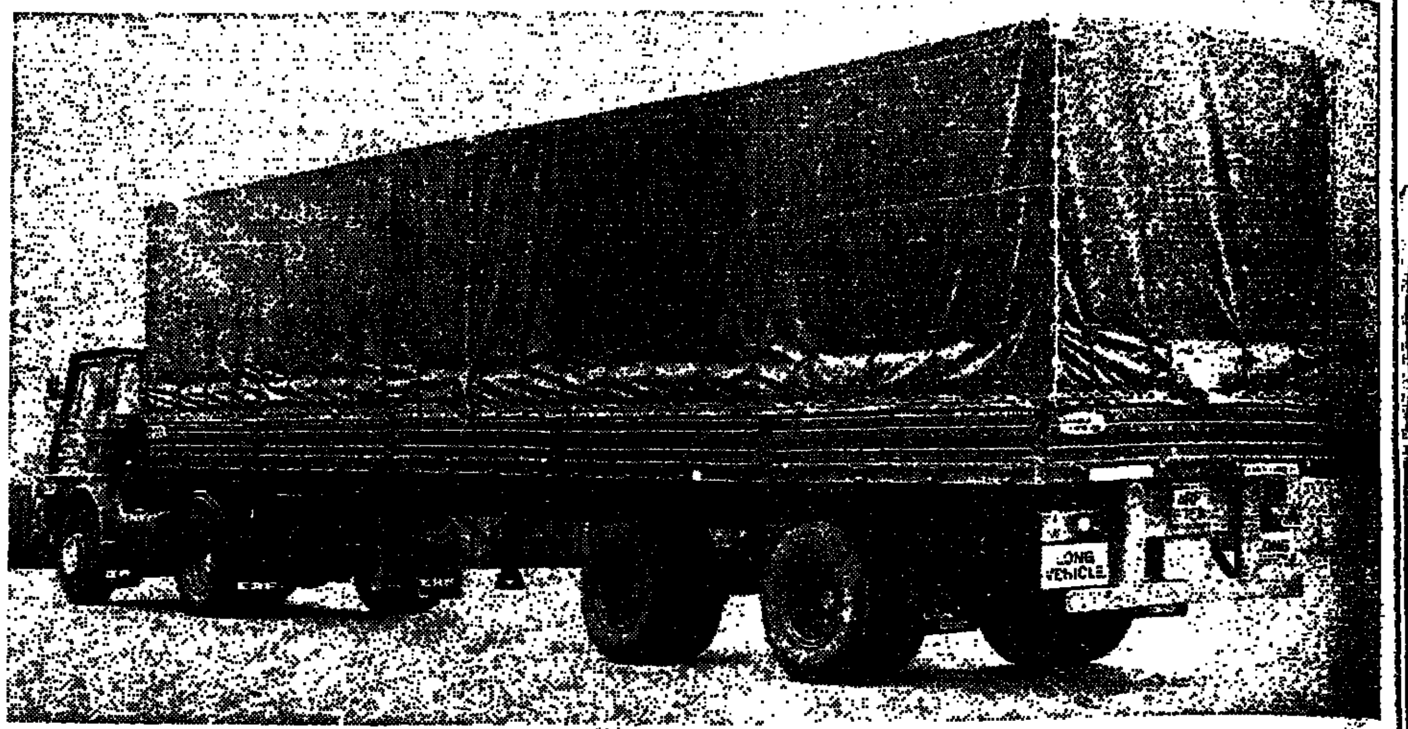


The latest range of heavy duty tipping trailer from Anthony Carrimore.

A similar demand for highly specialised equipment has come in recent years from Eastern European countries and Russia, all of which are developing a haulage industry. From Russia, in particular, there has been heavy demand for large multi-axle low-loading vehicles capable of taking large loads—one result of its development policy in the East where some very heavy generating equipment is being installed. Craven Tasker has picked up some of these orders against local competition. Similarly, Poland has also bought a considerable number of refrigerated vehicles from Cravens for use in a fleet which, among other things, transports meat to the Middle East.

Variety

The other most significant market for Britain in recent years has been Nigeria, which has now become the second biggest overseas importer of British motor industry products after Iran. Nigeria, expanding like the Middle East on an oil-based economy, and already importing a great number of British lorries, requires a broad variety of products, and most of the UK trailer manufacturers have built up sales there.



A Craven Tasker Tasktilt semi-trailer.

Part of Britain's success overseas has been due in recent years to the competitive cost of the U.K. product. This, in turn, has been caused by a combination of low wage rates and a more rationalised industry than in some parts of Western Europe: Britain has a larger haulage industry than any other country in the region, and its trailer companies tend to be bigger. Yet competitors from the rest of Europe have seen to it that the UK does not have it all its own way in any of these overseas markets, and it has become increasingly difficult, for example, to win orders in the Middle East, particularly since the hardening of the pound during the last year. Fruehauf Corporation says that some of its other European companies have had proportionately higher exports than its British group.

The signs are that in the longer term it will become more and more difficult to operate in many overseas markets on a direct export basis. As in the truck and car industry, many countries will increasingly demand an element of local assembly. Thus the industry will split two ways. On the one hand, there will be greater rationalisation within Europe, leading to a growing cross-flow of parts between different EEC nations; on the other, there will be more overseas assembly plants in the developing world.

There are already signs that these trends are establishing themselves. The flow of trailers between Britain and the rest of Europe, for example, is already growing: to correspond to the growth of exports to the EEC, which reached a value of £5.3m in 1976, imports have risen to about £2m from £1m in 1975. The main sources of supply are France and Germany. Similarly parts imports have now reached £1.6m against £0.2m in 1972. In the longer term, also, Fruehauf has declared its intentions of establishing specialised production points within its European organsation, which could be expected to increase the flow of two-way traffic.

Outside Europe, the first signs of the move towards overseas assembly came in the decision of Crane Fruehauf to set up an Iranian facility in 1976. This is jointly owned with Iranian interests, and is still in the process of being developed. Similarly, Fruehauf's French and German subsidiaries have joined together to negotiate a similar agreement in Algeria. The head of Fruehauf Europe, Mr. Fred Schwab, says that this is the way he believes exports will go in the long term, although there are commercial problems in establishing manufacturing units in the developing world. "In future I don't think there will be a market for the import of trailers so much as for the import of parts."

In the immediate future, the prospects for exports, while better than last year, are still not as buoyant as two years ago. The explosive growth in the Middle East has now come to an end and competition become more fierce, with the Japanese moving in and the American producers taking advantage of the weakening of the dollar. York Trailers, Britain's most effective exporting company, is also intending to do more overseas assembly at its Dutch plant as a means of reducing transport costs to the Continent.

In the final analysis, the overall UK performance will depend to a considerable degree on Crane's policies—the American owned company and York, each exporting about £10m worth of goods, account for about two-thirds of Britain's exports. Some critics of the Fruehauf takeover of Crane believe that it will in the end reduce exports and increase imports; Fruehauf itself has argued that it will increase the British subsidiary's potential for export. The next few years will show which side was right in the argument.

T.D.

Major producers take a grip

"THERE SEEM to be scores of trailer manufacturers in Germany. But every day another one disappears and we regularly get offers to buy up others. The business is becoming more and more mature, and there are becoming fewer and fewer players, just as in the car industry." As these words from one of the European industry's top executives indicate, rationalisation is now sweeping through the trailer manufacturing sector in every significant country in the EEC, making it harder for the small, non-specialist companies to survive, and creating a smaller number of powerful companies than ever before.

A few small companies are, of course, still emerging. But these tend to be real specialists, intent on looking after discreet little niches of the market or on making units which require some unusual skill. What is gradually disappearing is the old tendency for back-street trailer companies to spring up out of nothing making standard platform units. "Anyone with a large garage used to be able to make a trailer," says one executive. "They could go out and buy the steel and the springs and get some welding equipment and they were in business with zero overheads. Then when business became marginal they could close it down quite easily."

Grasp

Fewer and fewer of these organisations are getting off the ground today. This is partly because the larger producers now have a tighter grasp on the market, with wider distribution and stronger marketing. Partly, also, customers have become more discriminating as loads have grown heavier in the industry and distances longer. "A great number of our customers today don't just drive back and forth between Felixstowe and London. Their vehicles have to go everywhere in Europe," says one executive.

But perhaps the most important factor against the small man is legislation. On the one hand labour regulations are making it more difficult to hire and fire men and therefore build up and run down operations rapidly. Employers have to try to think on a more long-term basis. On the other, vehicle safety and operating regulations are gradually growing tougher and more complex everywhere in Europe. These standards, which will gradually be harmonised throughout the EEC, mean that engineering can no longer be on a rough-and-ready basis; and as manufacturers strive to meet the legislation, while continually looking for ways of making the trailers lighter and stronger, the cost of research and development will strengthen the hand of the larger producers.

In all the three large European markets, Germany, France and the UK, this trend towards concentration of production appears to hold true. In each of these countries more than 50 per cent. of the trailer industry is in the hands of three or less producers. The same goes for the Netherlands, Italy, Belgium and Denmark. In Germany the two largest producers are Fruehauf, through its 98 per cent owned subsidiary Ackermann-Fruehauf, and Kassbohrer, reckoned to have 20 per cent and 30 per cent of the market respectively. In France, the two leaders are Fruehauf France (about 25 per cent) and Trailor (about 32 per cent), which is a subsidiary of Pullman, the second largest U.S. trailer manufacturer after Fruehauf. In the UK the leaders are again Crane Fruehauf, now 100 per cent owned by Fruehauf Corporation, with about 44 per cent of the market, and York Trailers, with 25 per cent.

Fruehauf also owns the Netam company of Holland, where it recently raised its stake from 28 to 100 per cent, and has 20 per cent of the equity in Forss-Parator, a company jointly held with Volvo and Scania, which also has plants in Norway and Finland. In Italy and Spain Fruehauf has licencees, although it is currently in disagreement with its Italian company, Officiane Calabrese.

Because of the way in which it has moved into every significant market, Fruehauf, the biggest of the U.S. trailer manufacturers, with annual sales of about $1.8bn, has clearly emerged as the dominant company in Europe. It is followed by Trailor, in which Pullman has a 58 per cent. stake, and then by a group of more nationally-based operations such as York Trailers of the UK (although York now has an assembly subsidiary in the Netherlands) and Kassbohrer in Germany.

During the past year, both Fruehauf and Trailor have strengthened their positions. Fruehauf has completely taken over both its UK and its Netherlands associates, while Trailor has begun to expand from the small base it established in the UK about three years ago. At the same time, Fruehauf's position in the Netherlands has been strengthened by the decision of the DAF commercial vehicle group to move out of trailer manufacturing.

The most significant of these rationalisation moves was the takeover of the Crane Fruehauf company, bitterly fought through in the face of strong opposition in the UK, and delayed for one year by a Monopolies Commission investigation. The importance of this move is that the UK has provided consistently the best market for semi-trailers in Europe, although France is now coming up to the same level, and may have passed it last year. Germany makes more drawbar trailers, but in any case does not carry so much of its produce by road as the UK; France also makes greater use of its railways than the UK.

It is calculated that the total European trailer market now stands at about £800m a year, including Spain, compared with about £700m a year in the U.S. Of this the UK accounts for about £200m, followed by France and Germany with over £150m each and the rest making up the other £300m. Thus it is important for any manufacturer to have a presence in Britain, and particularly for a U.S. producer making a similar sort of product—a semi-trailer as opposed to the drawbars which are used much more on the Continent.

Fruehauf's bid for Crane was therefore intended to consolidate its hold on this important market. But at the same time, the U.S.-based group is hoping to push rationalisation one move further by bringing its European affiliates closer together and treating Europe as a single, indivisible market in much the same way as it is able to treat the U.S. The aim is to integrate design, manufacturing, parts buying and marketing into one co-ordinated effort.

Vigorous

Trailor, with its recent incursion into Britain, is clearly thinking along the same lines. Whether any other European companies will have the resources to do the same is an open question. York Trailers, always a vigorous exporter from the UK has made it clear that it wants to play a larger role in Europe by exporting parts to its Netherlands assembly facility where they are made up into trailers of various kinds. But no one else has shown international manufacturing ambitions.

A more rationalised company structure is also being created by the move towards vertically integrated organisations. This has particularly affected the UK in recent years. York, for example, has acquired both Anthony Carrymore and Scammell Trailers, the former British Leyland subsidiary, in recent years, thus widening its product range. It has also developed a large-scale axle manufacturing facility, so that it now has the ability to make virtually any product, from a chassis to a hoist, in-house.

Similarly, Fruehauf has steadily expanded its product range, recently buying Pengco and Abel Bodywork of Bolton, which specialises in the construction of refrigerated rigid vans. Fruehauf has also looked at the possibility of making its own axles in greater numbers, rather than buying in most of its supplies, as it does in the UK at the present, from Rubery Owen Rockwell.

One of the arguments against the Fruehauf takeover of Crane, indeed, was that, in the long term, it might mean a loss of business for Rubery Owen Rockwell, a British company, if Fruehauf decided to establish its own axle manufacturing. It still remains to be seen how accurate that argument was. But it is clear that Fruehauf has not yet ruled out plans to make its own axles; and it is equally clear that the big companies will continue to try and move towards more integrated structures both in Britain and across Europe.

T.D.

Coping with regulations

A LOOK at the European trailer market shows just how difficult it is to bring uniformity to a very fragmented market. Trailers are registered in France, Germany, Holland, Spain and Austria. In the U.K., Belgium and Italy there are some activity records, which can sometimes be misleading or unreliable. But taken overall the total market in these eight countries in 1977 was about [illegible] units of which 20,500 were full drawbar trailers and [illegible] were semi-trailers [illegible].

Market leader was the Fruehauf brotherhood, with just over 18 per cent. of the market although the two biggest individual companies were Trailor, in France, with 6,281, and Crane Fruehauf, in the UK, with 6,207. York was third with about 5.7 per cent overall.

Very few companies operate throughout Europe — although their products will often be seen on the major routes — and in many markets large shares are held by a myriad of small builders.

Therein lies one of the principal problems dogging the law makers in Brussels and their attempts, sometimes not very obvious, to harmonise such things as brake efficiency, axle weights, lengths, widths and heights. A platform on wheels to be towed behind some sort of tractor is a very basic piece of equipment which quickly becomes complicated when other considerations are added.

Total vehicle weight is the most obvious — there are maximum limits running from 50 tonnes in Holland down to 32.5 tonnes in the UK — but overall height is another and regulations which also cover the transportation of food form a third.

Gross vehicle weight and the number of axles required to carry it have been the subject of long wrangling and not a little political lobbying. While trailers are a simpler piece of machinery no secondary decisions will be made about their construction until the overall problem is solved.

And this depends as much on other criteria, such as current engine ranges or model options among the various national builders, as on the apparent concern for the environment. The search for a common approach to heavy trucking in Europe has shown starkly some of the problems of "community" living and the way in which individual countries are very ready to find their individual solutions.

In the meantime the trailer builders gnash their teeth, the big ones because they cannot put into effect the economies of scale their capital investments demand, the small ones because they are faced with the costly business of a constant round of type approval formalities.

Whatever the eventual gross weights, however, this should not stop the EEC pushing ahead with the regulations it wants to see on braking systems. The problem centres on stability, especially when heavy braking has to be applied on wet or slippery roads and the trailer is either lightly laden or unladen. In its report on the Fruehauf, Crane Fruehauf merger, the Monopolies and Mergers Commission points out that, to deal with this problem, the braking system likely to be adopted by the EEC will include load sensing devices which control the degree of braking at the wheels of each axle depending on the load it carries.

In the United States, however, there is a different approach to the problem, and this is already backed by legislation. There they have decided to rely on anti-lock braking systems. This relies on monitoring, electronically, the rate of deceleration rather than the position of the load.

So far there is no compulsion backed by law in the U.K., but there is a voluntary agreement between the Department of Transport and the Society of Motor Manufacturers and Traders that all the tractor units should be fitted with these devices, and semi-trailers are also a logical extension.

Common minimum standards for some design features and performance characteristics for all road vehicles are also being drawn up to replace individual national requirements, most of which relate to safety and environmental considerations.

These "type approvals" have so far tackled the problem in a rather piecemeal fashion, with EEC directives being introduced to cover specific features rather than the whole vehicle. And individual members can decide whether to make the EEC directive mandatory, although they cannot refuse entry to vehicles from other countries which conform to the minimum standards laid down.

Approvals

Type approvals are in the process of being drawn up for commercial vehicles in the U.K., but there are those who feel that for every country to have its own set will only make it even more complicated. And their elaborate construction flies in the face of the growing internationalisation of the trucking industry.

Admittedly many trucks cover relatively short distances throughout their lives, as do the trailers they pull. And the cynics would say that another change in the regulations can only mean more business for the truck and trailer builders as the operators strive to keep up with the maximum efficiency level.

So the greatest pressure is for some sort of international agreement for the international truckers. Yet even this can be pre-empted if the tractors and trailers have to conform to national regulations before they conform to international regulations. And it is unlikely that the TIR system will be extended to cover the registration of the vehicles involved, so the merry-go-round continues.

At least in one area, lighting, it should be easy for trailer manufacturers to keep ahead of the rule book, one would think. Yet even here it is not just a matter of festooning some extra illuminations along the side of the trailer, a relatively simple job that could almost be covered by a modular kit. The problem is the height of the lights off the ground, which is bound up with the height of trailers generally.

At every turn there is another gremlin of a rule waiting to catch out the trailer builder, and behind every gremlin there are ten civil servants.

The only answer has been for the trailer builders to split up their overseas operation on a national basis. In the end this may prove to be beneficial, especially if, as some predict, it takes a long time to overcome the fragmentation in Europe and the insistence by operators that their trailers are custom-built.

So far there has not seemed to be any great urgency to tackle the problem of international trucking. This is partly because of the growth of the environmental lobbies which have made governments look nervously over their shoulders before making any decisions.

Nor has there been any effective lobbying by the manufacturers, except in a negative way. The pressure of cost is not one which is clearly apparent; although there would be obvious benefits to some there are the complementary fears that others may suffer badly. Again this covers both the tractor and trailer side of the industry.

It is difficult to feel that the problem will be solved except as a joint package and only after a great deal more wrangling. In the meantime the industry is running out of the opportunist markets in the Middle East and Africa only to find that its own, very rich, back yard is a tortuous mass of brambles.

Stuart Alexander

On this page Terry Dodsworth and Stuart Alexander profile the men responsible for running some of the major UK trailer manufacturers, with particular reference to their plans for the future.

The men in charge

Fred Schwab

"ENGLAND WAS necessary for us. Crane Fruehauf is going to be the cornerstone of our European business." This is how Fred Schwab, the American president of Fruehauf Europe, explains the long and bitter battle fought by Fruehauf Corporation for complete ownership of its UK associate. The idea, he says, was to create an integrated European group in the same way as Ford has done with its UK and German factories. "The fact that we have got the UK makes Fruehauf Europe a much more viable thing."

Mr. Schwab's job is now to make a reality of this European concept. He has already moved to Crane Fruehauf's office block, at Hayes, Middlesex, to begin work on the new Fruehauf Europe organisation. This will be an administrative, rather than a legal group, rather on the pattern of Ford of Europe.

"I shall not build a great big empire of staff," he says, "because I have the complete business organisations in our national companies to draw on. I need a finance man, a marketing man, an engineer and a production manager. Only one of these, the finance man, will be an American."

The aim of this group will be to co-ordinate Fruehauf's European activities, which are split between wholly-owned subsidiaries in Germany, France, the UK and Holland, a 20 per cent stake in a Swedish company jointly owned with Volvo and Scania, and licensees in Spain, Yugoslavia and Italy.

Co-ordination, says Mr. Schwab, can be fashioned in various fields. In the immediate future, he sees the most promising area as the joint buying of components. Whereas trailers are not likely to become absolutely standard throughout Europe in the near future, mainly because European regulations have not yet been harmonised, there is plenty of scope for standardising parts. But in Mr. Schwab's view this can only be done by a group which widely spread across Europe and which knows local conditions and regulations intimately enough to work out where the same parts can be used.

In the longer term, marketing could also be co-ordinated to take advantage of the special contacts the national companies have formed overseas. Thus, while some of Fruehauf's subsidiaries can only supply one product, together they can provide a greater range and in this way pick up business for each other. There has been some criticism of the merger over just this point, with antagonists claiming that the UK company will now be excluded from exporting to areas where other members of the group may be given priority. But in Mr. Schwab's view the merger will help Crane build up its overseas sales. "Some of the smaller subsidiaries have exported more than this company in the past. What we want the UK company to do is to build on some of the contacts they have to expand its business."

The other area where rationalisation could come is in manufacturing. New production methods are being developed in the U.S. which demand large volume to justify the investment in machinery. Fruehauf's new European scale could provide this justification, says Mr. Schwab, with its separate production units specialising in certain fields. "You have to have centralised production points to make these things viable."

Mr. Schwab, who has just spent four years with Fruehauf's German subsidiary, does not believe that all these developments will come quickly. But he argues that the European market is gradually moving in this direction, becoming more integrated as the EEC grows into an economic reality, forcing industry within the Community to behave more on the American fashion. "There will be fewer trailer manufacturers in the business in Europe in years to come," he says. "We have to take advantage of our size."

T.D.

Jeff Harrison

TO BREAK into the UK market for trailers in a big way—a market that is acknowledged by all to be fiercely competitive—requires a thick skin, sound understanding, a fair amount of cash, and shrewd strategy. It will also take some time.

But Jeff Harrison, managing director of Trailor (UK), is convinced that in five years he will be operating in a major way in the UK and in ten years should both have a substantial slice of the business and be profitable.

A tall order in a volatile business, especially as, at first, Trailor will be assembling components brought in from France, with all the difficulties of cost competitiveness that that implies.

The main tenet behind the Trailor move is a belief that the only way to expand in Europe is to operate within each market. There is very little trans-border business — though Trailor already claims about 4 per cent of the UK market—and the UK market is the second biggest in Europe.

Biggest last year was France, where Trailor is based. The company is 68 per cent owned by Pullman, the U.S. builder, the rest being quoted on the Paris bourse.

Trailor bought the trailer building division of Peak Trailers as part of its entry into the UK, but this was more to give it a small assembly base than to buy design and management potential. Mr. Harrison was brought in from York Trailer, where he had worked closely with chairman Fred Davies who had recruited him from the advertising agency that used to handle the York account.

The plan now is for Trailor to open a service and repair facility alongside the motorway at Mansfield, in Nottinghamshire, which will also set aside some space for trailer assembly. Next year another depot will be opened in the London area, and the manufacturing capacity increased.

At the same time Trailor will seek to increase the percentage of local component content as well as looking for cost benefit from the use of UK workforce. Materials account for about 70 per cent. of the cost of a trailer, so any savings that can be made in this area will be needed.

Jeff Harrison sees the UK as a major discipline for Trailor, a base for benefits which could be passed on to all the other operating companies. This is purely because the UK market is so competitive. If he can succeed here he feels that Trailor will be able to succeed throughout Europe, which is where the future will be decided. He also points to diminished exports in the first two months of this year as a warning for the future.

He says that Trailor has been careful to present a European rather than a French image, a line of approach not always typical of the often very nationalistic French.

Rentals, he expects, will be increasingly important in the UK, where the willingness to rent is second only to the U.S. and is far more developed than the rest of Europe except those areas, such as Rotterdam, which have become the great goods handling crossroads.

Trailor will also offer vehicles to rent, partly to even out the production and sales peaks and troughs and partly because there is a genuine need in the market place to give the operators more flexibility. He expects the tendency to be for operators to own now more than 80 per cent of their requirements and then top up with rented equipment to meet business demand.

As well as being a necessary customer service Mr. Harrison also sees the rental and contract hire side as a sales stimulus. An operator will be able to concert a rental to a purchase if he sees some permanence in increased business momentum and there are both financial and emotional incentives to keep the vehicles he already has.

While he hopes that some sort of uniformity can be imposed on the European market, he accepts that it may take some time, another reason for establishing Trailor close to each market. But he hopes that the existing widespread marketing experience which accrues to a pan-European company will help to put Trailor in the lead.

The company is already the second biggest builder in Europe, with about 9.9 per cent of the total European market of 66,000 trailers last year. But this is still a long way behind the 18 per cent plus held by the various arms of Fruehauf.

And in third place is York, the company he left to join Trailor. If ever a man deliberately tied a fire-cracker to his own tail, Jeff Harrison has done it. Presumably, as the personal choice of the difficult-to please Fred Davies, he is the man to bring it off.

S.A.

Henry Booker

"THE BRITISH trailer industry can be proud of its record in the last few years. Despite the slump in business at home companies have gone out and won export sales while overseas businesses were collapsing. I think we have carried the Union Jack very successfully." This is how Henry Booker, managing director of Craven Tasker, the third largest company in the British industry, describes the strategy which has managed to keep Crane Fruehauf, York Trailer and his own company intact in the last few years, along with a number of smaller, specialised groups.

Craven Tasker, a subsidiary of the John Brown group, and formed from a combination of Cravens, Homalloy and Taskers, has won exports in some difficult markets during the last decade: it has delivered 900 refrigerated vans for Danish Bacon, similar vehicles to the Russians, and low loaders to the Arabs. The key to its success in these markets, say Mr. Booker, is quality: "We get these orders because of quality and price. John Brown as a group puts a lot of emphasis on quality. You don't do any good in our outfit by making shoddy, cheap goods."

Craven has increasingly put the emphasis on specialisation in the face of the recent depression. Even on fairly standard products such as skeletal trailers, it tries to add in extra quality: just to improve these units it has installed a shot-blasting machine which gives an extremely clean base on which to apply paint with a better chance of avoiding rust. For skeletal trailers this is an important item since they spend a lot of time standing at docks where they are exposed to corrosive elements.

The acquisition of Tasker when it was going through a difficult patch about eight years ago was another move towards a more specialised business. Tasker came to prominence during the war as a manufacturer of recovery vehicles for the RAF, and Craven saw the opportunity of building on this area of skill, particularly in the developing North Sea equipment market.

Low loader exports have gone up to various parts of the world, and in 1976 the company won the Design Council award for a new product which could be lowered to take on a load very quickly using only one driver.

"At the time many people in the industry thought it was just another new design," says Mr. Booker. "But it caught on, and during the construction slump when everyone else's sales were dropping, ours were going up."

A similar strong area of business has been in recovery trailers for the army, where the group has strong links.

After absorbing the Tasker merger, the Craven Tasker group has now become the third force in the UK industry with about 15 per cent of the market. It is more specialised than either of the two larger groups, Crane Fruehauf and York Trailer, and Mr. Booker believes that although these two companies are themselves branching out into these areas of greater craftsmanship, Craven can consolidate its hold in these areas. Turnover should amount to about £20m this year, about one-third of Crane's.

In export markets he sees further opportunities opening up in Europe. "We are looking at this closely. The entrée is Holland. The Dutch are the carriers of Europe," he says.

But there will also be efforts to move into new product areas. Perhaps the most important of these is the tilt trailers—the curtain-sided vehicles which have become extremely popular on both international routes and in the domestic market when a quick turnround time is required.

The idea of these trailers is to allow access on three sides, while still providing a secure load which one man can deal with. Mr. Booker has been particularly impressed in this field by the Tautliner concept developed by Boalloy, to become a winner of a Design Council award in the same year as the Tasker low loader, and now selling about 1,500 units a year for both new and used trailers. "We are taking steps to increase significantly our participation in this area," he says.

T.D.

Fred Davies

"WHEN I came to this country I found some manufacturers stagnating in prosperity. So I went to BRS with some ideas, they welcomed a new face, gave me my first order and I was in business." Fred Davies, now 72 but still very much in control of York Trailer, has built up his company to number two position in the UK and the third biggest in Europe since introducing the Freightmaster in 1960.

"I intended to stay a couple of years but got swinging on the end of a tiger and couldn't let go," he says, with the result that as well as having diversified into components in the UK there will also be two York factories operating in Holland by the end of this year, and it is clear that York is by no means at the end of its take-over trail.

There are three major tasks facing Fred Davies as he seeks to round off a life-time's work in the trailer business. First is to crack the very complex market in Europe, second is to restructure top management ready for succession and third to complete the overall shape of York Trailer.

"Whoever takes over will have a first class ship," he promises.

The take-overs of Scammell Trailers from British Leyland and Anthony Carrimore, which specialises in tipper hydraulics, have both proved very successful, says Mr. Davies.

He is less happy with the delays to harmonisation of EEC regulations and decisions on maximum weights and configurations.

He slams Government procrastination which, he says, interferes with capital investment on the basis of "thoroughly specious reasons." Like most in the automotive business, especially concerned with commercial vehicles, he would like to see any set of rules agreed upon rather than a continuation of uncertainty.

In the meantime York is concentrating on Benelux for improved investment opportunities in Europe. West Germany is also being studied and there is the possibility of trying to establish itself in Europe. But Italy is dismissed by Mr. Davies as an early prospect.

As the opportunist markets of the Middle East and Africa lose their appeal he sees the test of real success in Europe, though it is always possible that the company could complete the circle and look for a link back in Canada, where the holding company is registered and where Mr. Davies is still a citizen.

Back home (that is the UK) he is keen to see more vertical integration, using the expansion of component manufacture as a base for the expansion of the whole business. While manufacture of components is a way of squeezing a few extra percentage profit points out of a highly competitive business, York has also seen components become the dominant factor in export sales.

These went up by 30 per cent in 1977 to £14.1m. and of that 75 per cent. was brought in by York Technical Services, the components arm of the Trailer company.

As well as axles—"we are in competition with Rubery Rockwell"—it is likely that York will eventually move into other engineered parts such as suspensions and seek to sell them to other trailer manufacturers.

As for the market in the UK Mr. Davies sees little change in volumes this year. But he hopes that it may prove more profitable and that the industry will reduce the level of price-cutting. His own company, he says has tightened up its pricing disciplines and this has led to increased profits.

Productivity has been improved and York has never been as flexible in striking a deal as some of its opponents. But in a market which can be so fragmented and where two men with an oxyacetylene welder can set up in business any day of the week it is hard to bring big company financial controls to bear.

However, York has managed to keep its borrowings ratio low while at the same time building trailers for delivery from stock and preparing to increase its rental side of the business.

Fred Davies was born outside London but went to Canada when he was 20. He eventually ended up selling trailers for Fruehauf in South America before returning to Canada and becoming president of Trailmobile, the biggest trailer builder there.

Now a grandfather he has made his own fortune with the single-minded determination typical of the North American pioneer despite starting when he was over 50. As well as playing golf "indifferently" he now has a farm in Canada with a small herd of cattle "which gives me the privilege of putting my feet on a five-barred gate."

But before he can get down from the saddle he has still to tie up the loose end that will package the business as he wants to see it.

S.A.

The small manufacturer

"THE SMALL builders are going to take a much bigger share of the market because we will win the inevitable price battle that is round the corner.

"We are faster on our feet, can keep operating costs very low, and specialise in better products.

"The product will help us win."

These comments come from Hector Tidd who moved from North London seven years ago to begin building van-bodied trailers in glass-reinforced plastic and plywood sandwich at St. Neots, in Huntingdonshire. Having pioneered the technique and weathered a few hiccoughs along the way, he claims that business has picked up strongly in the last two years and the company is now ready to take a closer look at the difficult European market.

Small builders in the UK take just over 7 per cent of the market, according to industry sources, which is rather less than in some other European countries. In France they account for about 32 per cent, in Italy nearly 40 per cent, in Austria 46 per cent, in Holland 50 per cent, in Belgium 57 per cent, and in Germany 58 per cent. So there is plenty of scope for the smaller builder in Europe, although the existing bigger producers would argue that the trend must be set against small operations, particularly if regulations on size and mechanical specifications can be agreed within the EEC.

Even then the role of the small builder is faced with many question marks, mainly because the trailer is such a simple thing to manufacture, in its basic form, and there are other conflicting basic trends.

In other areas of the automotive industry too there is some argument over the future pattern of manufacturing. On the one side are those that say the vehicle builders should stick to their skill in assembly and marketing, passing on the benefit of volume in the form of more competitive prices.

On the other are those that favour vertical integration, giving the manufacturer control both of final product and component input. This is the route now favoured by Mr. Fred Davies, chairman of York Trailer. It gives him both the opportunity to squeeze extra margin out of the end-product while at the same time increasing export potential in a world that is increasingly looking to local manufacture.

While developing countries may quickly be able to establish simple assembly workshops, and even produce their own steel bars, it will take far longer to develop, design and manufacture the more complicated components.

But the argument that the specialist assembler will win the day is one that also has attractions. Component commonality is a development that seems highly likely in an EEC that eventually makes up its mind about regulations. In that case the big component manufacturers will need as much volume as they can muster to be competitive.

So there will be plenty of bits for the small assembler to choose from. And he will have the added advantage of low capital investment coupled with close contact with a smaller market. And the problem of service and maintenance will be alleviated by the commonality of parts which has given him an advantage. As Mr. Tidd says, specialisation and product quality will then be powerful sales weapons which could reverse what should be the normal trend of the big becoming bigger and the small being squeezed out.

Certainly the Tidd Strongbox example of a manufacturer specialising in a particular technique which can be sold either as a product or even as know-how is an interesting one. Mr. Tidd claims that its sandwich boxes are as strong as steel but significantly lighter. And having decided on the technique of manufacture they have stuck to it. They have also recognised the need not only to specialise in method of construction but in the type of customer the products are aimed at.

Choice

In its case Tidd has been able to sell strongly to food manufacturers, retailers and wholesalers as the boxes are smoothsided and easy to clean. The choice of St. Neots as a manufacturing and marketing base was made on the grounds of suitability rather than looking for an area where there were more Government inducements. And Tidd says it is pleased with the choice.

More difficult has been the attempt to spread wings into Europe. Hector Tidd is still determined to tackle the market in Belgium and Holland but points the difficulty of finding really good agents who will work enthusiastically on behalf of a small builder.

Many, he says, are more than ready to accept attractive introductory offers. More difficult is the task of finding one that will stay with the new allegiance to develop a long-term market. Some are content merely to take a quick profit and disappear. Also difficult and expensive for the small builder is the tortuous path through type approval regulations in each country.

As well as the cost of building and transporting the trailers there is an additional £1,500 fee payable to the Ministry of Transport. The total is just too great for the committed small man. For the small man trying to grow it is a costly gamble that does not always pay off.

Once in Europe there are opportunities for joint ventures both in the choice of components and in sales, servicing and repairs. This is the route that Hector Tidd expects to take by selling a specialist product, or sometimes production know-how, through an established chain in Benelux but keeping the manufacturing base in the United Kingdom.

He feels that Tidd can overcome the transport costs and still be able to offer the benefits of efficient manufacture in the U.K.

There is undoubtedly a great deal of expertise within the small companies in the U.K. trailer business. But it will take the extra factor of highly developed entrepreneurial skills, careful choice of allies, and a rather better-than-average grasp of financial management and EEC legislation, to survive.

S.A.

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

U.S. interest rates dominate market

ALTHOUGH EURODOLLAR interest rates hardly changed last week the prospect for further rises in U.S. domestic rates currently dominates the international bond market. By Friday night the indications from the New York money market were that the target rate for Fed funds—the charge on money which banks lend to each other—was 7¼ per cent, a quarter point higher than earlier in the week and threequarters of a point higher than a month ago.

The news that the latest U.S. money supply figures, recording a large fall in the most recent reporting week, had pushed the rate of growth even of M1 (the narrowly defined money stock) back down towards the target range again did not seem to have altered the Fed's intention of pushing up interest rates.

A clarification of the trend of dollar bond yields will happen this week when pricing is expected for several of the Yankee bonds on offer. The upward pressure on short-term interest rates, which the latest Fed fund indications suggests, comes at a time when the yield curve is already much flatter than international investors have become accustomed to. To take the most extreme current example the nominal interest rate on the seven-year Volkswagen placement, which is reportedly being arranged by Commerzbank, is a mere half a percentage point higher than the rate on overnight Eurodollar deposits. Even after allowance for the 1⅞ per cent selling commission, the yield to final maturity is still less than on one year money.

The terms of this placement are tighter than on other offerings on the international bond market at present. However, unless international investors take a more optimistic view of the dollar currency than secondary market demand has suggested recently, the comparison of Volkswagen with money market rates suggests the kind of pressures to which international bond yields may be subject, if the latest developments in U.S. short-term rates are not reversed.

Some issue managers have already taken account of this. The terms of Ontario Hydro's issue do not look over generous now but when first announced they were said by some to reflect interest rate expectations rather than current yield levels—as a result the lead manager is expected to open secondary market trading today within the selling group discount. The argument is even more true of the 9 per cent coupon being indicated by National Westminster Bank on its eight year issue.

The most surprising feature of the NatWest offering is that it is part of the bank's normal fund-raising activity and apparently has nothing to do with its $300m proposed purchase of National Bank of North America. It was emphasised on Friday that the current $200m issue would have happened even if the proposed takeover had never been mooted. The market will therefore be expecting further fundraising by NatWest if the purchase goes through.

It was also made clear on Friday that NatWest has no plans for an equity or equity-linked issue in the foreseeable future. Whether it would be happy to raise funds on the U.S. market in order to finance an investment within the U.S. is also regarded as questionable.

The terms of the NatWest floating rate note (FRN) are not particularly tight except in so far as they will stretch the maturities habitually seen in this market—12 years is exceptionally long for an FRN. However since the main complaint in the FRN sector recently has been a lack of good quality paper—even a lack of paper generally—the maturity is not expected to be much of a drag on the issue.

The European Investment Bank's latest dollar offering is generally regarded as being on the tight side. However although formally presented as a standard Eurobond placement, it is expected to take advantage of a recent relaxation in selected foreign stocks. Management group sources for the new issue said that as a result of the change, Italian investors are now permitted to purchase the selected stocks, notably issues by European institutions, as a part of a switch operation without having to make the onerous 50 per cent deposit with the Bank of Italy.

One notable feature last week was the resurgence of Canadian dollar issues. The Canadian dollar closed the week at nearly 91 U.S. cents compared with a 45-year-low of 86.92 U.S. cents in mid-April. By the end of last week, the secondary market prices of bonds was slightly off the high points reached earlier in the week. However, some houses have already started to approach potential borrowers with a view to reopening this sector should the recovery of the currency continue.

The D-mark sector was helped last week by the Bundesbank's moves to inject new liquidity into the domestic money market. However, uncertainty remains the major feature particularly as the domestic bond market is weak in the expectation of a rise in interest rates.

BONDTRADE INDEX AND YIELD

	May 19		May 12		1978 High	1978 Low
Medium term	99.62	7.87	99.62	7.87	99.84 (19/4)	99.15 (16/2)
Long term	93.71	8.38	93.76	8.37	94.07 (19/4)	93.83 (13/1)

EUROBOND TURNOVER

(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,073.2	1,540.3	310.1	328.7
Cedel	393.1	1,008.5	285.2	256.4

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Ontario Hydro	125	1985	7	8¾	99½	Deutsche Bank	8.60
‡Occidental	75	1985	¶	8⅞	99	Dean Witter	9.07
††Australia	150	1983	5	*	*	Morgan Stanley	*
††Australia	100	1993	11	*	*	Morgan Stanley	*
††§Ito-Yokado	50	1993	—	*	*	Goldman Sachs	*
††Ito-Yokado	20	1983	5	*	*	Goldman Sachs	*
††Sweden	125	1998	12.94	*	*	Salomon Bros.	*
††CCCE (g'teed France)	75	1998	13	*	*	Dillon Read	*
Canadair	70	1983	5	8½	*	Merrill Lynch Int.	*
AGA	25	1988	7	9¼	*	Hambros	*
Dominion Bridge	25	1986	8	9	*	Orion	*
††Nova Scotia Power	75	2008	30	*	*	Merrill Lynch	*
††Ontario Prov.	200	2008	30	*	*	Salomon Bros.	*
††Finland	100	1985	7	*	*	Salomon Bros.	*
§Tyco Laboratories	20	1988	—	8½/8¾	*	Kidder Peabody	*
**EIB	60	1986	¶	8¾	disct.	Ist. Ban. S. Paolo	*
‡**Volkswagen	35	1985	4	7¾	99½	Commerzbank	7.55
Nat. West	75	1986	8	9	*	County, CSWW, Orion	*
†Nat. West	125	1990	12	5¼‖	*	County, CSWW, Orion	*
†Banque Worms	25	1985	7	5¼‖	*	CSWW, First Chic.	*
D-MARKS							
Ind. Bank of Japan	100	1984	5½	5	*	Deutsche Bank	*
‡§Nippon Shinpan	50	1985	—	3¾	100	BHF Bank	3.79
**Danish Export Fin.	100	1983	3	5½	*	WestLB	*
GUILDERS							
‡Eur. Invest. Bank	125	1993	10.5	7½	100	AmRo	7.25
SWISS FRANCS							
‡Mortgage Bank (g'teed Denmark)	80	1990	n.a.	4½	99.5	UBS	4.555
‡Oest. Kontrollbank	80	1993	n.a.	4	100	Banque von Ernst	4.0
YEN							
‡Eurofima	10bn.	1990	10.32	6.3	99.5	Nikko Sec.	n.a.
‡BNDE	16bn.	1988	9	6.5	99.3	Daiwa Sec.	n.a.
KUWAITI DINARS							
Bay Nac. Cred. Rur.	7	1985/90	¶	8½	100	KFTCIC, Merr. Lynch Int.	8.25
BNA	7	1985/90	—	8½	*	KIC	*

* Not yet priced ‡ Final terms ** Placement † Floating rate note ‖ Minimum § Convertible †† Registered with U.S. Securities and Exchange Commission ¶ Purchase Fund
Note: Yields are calculated on AIBD basis.

Indices

NEW YORK—DOW JONES

	May 19	May 18	May 17	May 16	May 15	May 12	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	846.65	850.92	856.37	854.50	846.76	840.70	858.37 (17/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	88.47	88.59	88.55	88.59	88.64	88.81	90.56 (4/1)	88.47 (19/5)	—	—
Transport	229.16	230.91	231.25	229.66	227.94	227.76	231.25 (17/5)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	144.26	104.09	104.06	104.09	104.45	104.60	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	34,560	42,270	46,490	48,180	34,900	46,600	—	—	—	—

*Basis of Index changed from August 24

	May 12	May 5	April 28	Year ago (approx.)
Ind. div. yield %	5.51	5.61	5.58	4.70

STANDARD AND POORS

	May 19	May 18	May 17	May 16	May 15	May 12	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	108.52	109.11	110.51	109.98	109.31	108.44	110.51 (17/5)	95.5x (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	98.12	98.62	99.60	98.55	98.76	98.07	99.60 (17/5)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	May 18	May 10	May 3	Year ago (approx.)
Ind. div. yield %	4.85	5.04	5.02	4.34
Ind. P/E Ratio	9.53	9.16	9.18	10.37
Long Govt. Bond yield	8.42	8.45	8.39	7.72

N.Y.S.E. ALL COMMON

May 19	May 18	May 17	May 16	1978 High	1978 Low
54.95	55.20	55.68	55.55	55.68 (17/5)	48.37 (6/3)

Rises and Falls

	May 19	May 18	May 17
Issues traded	1,907	1,901	1,902
Rises	579	570	790
Falls	898	959	690
Unchanged	430	372	422
New Highs	—	138	207
New Lows	—	35	40

MONTREAL / TORONTO / JOHANNESBURG

	May 19	May 18	May 17	May 16	1978 High	1978 Low
MONTREAL Industrial	182.88	182.45	182.28	180.67	182.89 (19/5)	162.50 (16/2)
MONTREAL Combined	191.72	190.96	189.93	188.50	191.72 (19/5)	170.62 (30/1)
TORONTO Composite	1128.5	1126.6	1119.9	1110.6	1128.5 (19/5)	998.2 (30/1)
JOHANNESBURG Gold	205.2	202.5	201.6	202.5	218.7 (1/2)	185.0 (20/4)
JOHANNESBURG Industrials	222.9	223.5	223.0	222.8	225.5 (18/5)	194.9 (13/3)

	May 19	Previous	1978 High	1978 Low
Australia (¶)	493.94	491.48	494.49 (18/5)	441.19 (1/3)
Belgium (‖)	98.74	99.35	101.16 (8/5)	93.74 (19/5)
Denmark (**)	95.0	94.93	98.15 (9/1)	94.00 (6/2)
France (††)	65.8	66.7	68.7 (25/4)	47.5 (6/2)
Germany (‡‡)	769.4	764.9	812.7 (10/2)	759.4 (17/5)
Holland (§§)	81.0	80.7	82.1 (10/2)	76.0 (4/4)
Hong Kong (¶¶)	462.15	458.82	462.15 (19/5)	383.44 (13/1)
Italy (‖‖)	62.65	62.42	65.56 (6/5)	55.45 (10/1)
Japan (a)	406.48	406.42	416.11 (19/4)	364.04 (4/1)
Singapore (b)	515.23	514.59	515.23 (19/5)	262.0 (1/60)
Spain (d)	104.15	105.79	110.72 (9/5)	87.82 (17/3)
Sweden (e)	373.73	376.82	397.95 (5/5)	329.74 (3/1)
Switzerl'd (f)	283.6	283.2	296.6 (16/5)	279.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975) † Excluding bonds. ‡ 400 Industrials § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961 (‡‡) Commerzbank Dec., 1953. (§§) Amster-dam, Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966 (c) Closed. (d) Madrid SE 30/12/77 (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £112½% (112½%)
Effective rate (1.8070) 47½% (48¼%)

NEW YORK

1978 High	1978 Low	Stock	May 19
65⅛	50	Abbott Labs	62¼
55⅞	45⅛	Corning Glass	54¾
50	42¼	CPC Int'n'tional	49½
30⅝	24¾	Crane	30⅛
28	22⅛	Crocker Nat.	27⅜
34	28¼	Johns Manville	33⅛
79¼	66	Johnson Johnson	75⅜
33⅜	24¾	Johnson Control	32¾
36¼	29¾	Joy Manufactur'g	36⅛
28⅛	23⅛	K. Mart Corp.	25⅛
48¼	38	Revlon	46⅛
34¼	25¼	Reynolds Metals	33
62	52¼	Reynolds R. J.	59⅞
27¼	20	Rich'son Merrell	26¼
34⅞	28⅞	Rockwell Inter.	33⅝
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

1978 High	1978 Low	Stock	May 19
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY ♦

May 19	Price Dm.	+ or —	Div. %	Yld. %
AEG	81.5	+1	—	—
Allianz Versich.	462		18	2.0
BMW	226.5	—1	28.88	6.2
BASF	136.7	+1.4	18.76	6.9
Bayer	139	+0.5	18	—
Bayer. Hypo	277	+1	18	3.2
Bayer. Vereinsbk.	289.5xd	+1	18	3.1
CibaInt.Ned.wrts	160		—	—
Commerzbank	217.2	+2.7	17	7.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOHANNESBURG

MINES

May 19	Rand	+ or —
Anglo American Corpn.	5.08	+0.01
Charter Consolidated	3.20	+0.05
East Driefontein	11.75	+0.20
Elsburg	1.90	+0.02
Harmony	5.25	+0.05
Kinross	6.00	+0.50
Kloof	8.30	+0.33
Rustenburg Platinum	1.48	—0.02
St. Helena	†13.00	
Southvaal	7.30	+0.05
[illegible]	[illegible]	[illegible]

INDUSTRIALS

[illegible]	[illegible]	[illegible]

Securities Rand U.S.$0.72½ (Discount of 37.17%)

AUSTRALIA

May 19	Aust. $	+ or —
ACMIL (25 cent)	†0.72	
Acrow Australia	†0.81	
Allied Mng. Trdg. Inds $1	†2.15	—0.08
Ampol Exploration	†1.30	+0.03
Ampol Petroleum	†0.81	
Assoc. Minerals	†1.21	+0.01
Assoc. Pulp Paper $1	†1.18	
Assoc. Con. Industries	†1.65	—0.02
[illegible]	[illegible]	[illegible]

PARIS

May 19	Price Frs.	+ or —	Div. Frs.	Yld. %
Rente 4½	731	—6	41½	0.6
Afrique Occid't'le	392.3	—13.2	21.16	5.4
Air Liquide	294	—6	16.5	5.6
Aquitaine	440.2	—0.8	26.25	6.0
BIC	472.1	—2.9	13.95	2.9
Bouygues	676	—9	42	6.8
B.S.N. Gervais	490	—17	40.5	8.3
Carrefour	1,584	—33	75	4.8
C.G.E.	347	—4	31.5	9.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRAZIL

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Vol. Cr.53.9m. Shares 44.4m.
Source: Rio de Janeiro SE.

AMSTERDAM

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

OSLO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPAIN ♥

[illegible]	[illegible]

COPENHAGEN ♣

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND ●

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

[illegible]	[illegible]	[illegible]

MILAN

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRUSSELS/LUXEMBOURG

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Keyselex Mngt., Jersey Ltd.

PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs1.80	1.60	.....	2.90
Bondselex	Fr.121.50	128.35	.....	—
Keyselex Int'l	£6.51	7.35	.....	—
Keyselex Europe	£3.82	4.29	.....	3.05
Japan Gth. Fund	$US22.76	24.48	.....	—
Keyselex Japan	£10.76	11.78	-0.53	—
Cent. Assets Cap	£132.87		+0.02	.....

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd. April 27	$US12.25	12.57	.....	—
CMI Ltd. April 27	£12.35	12.66	.....	—
MetalsTst. April 20	£11.44	11.72	.....	—
TMT May 11	$US10.24	10.50	.....	—
TMT Ltd. May 11	£10.37	10.64	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd | $US14.40 | -0.16 | —

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ▼ Net of tax on realised capital gains unless indicated by ϕ. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FINANCIAL TIMES STOCK INDICES

	May 19	May 18	May 17	May 16	May 15	May 12	A year ago
Government Secs.	70.45	70.97	71.12	71.14	71.47	71.02	70.58
Fixed Interest	71.99	72.32	72.30	73.40	72.40	72.26	70.99
Industrial Ordinary	470.6	480.9	480.3	481.6	485.0	488.5	461.3
Gold Mines	153.2	151.0	150.6	151.3	149.2	148.6	106.3
Ord. Div. Yield	5.61	5.50	5.51	5.53	5.50	5.49	6.00
Earnings Y'ld % (full)*	17.02	16.68	16.73	16.75	16.68	16.65	15.40
P/E Ratio (net) (*)	7.86	8.02	8.00	7.99	8.02	8.04	9.53
Dealings marked	5,646	4,795	5,707	5,825	6,546	5,039	7,044
Equity turnover £m.	—	88.28	75.59	87.80	95.80	92.76	94.04
Equity bargains total		15,845	16,261	17,955	17,882	18,425	21,088

10 a.m. 477.4. 11 a.m. 476.0. Noon 472.8. 1 p.m. 471.3.
2 p.m. 470.9. 3 p.m. 470.1.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=7.72.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942. ‡ Correction.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	70.45 (19/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	71.99 (19/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.5 (3/1)	433.4 (5/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	May 19	May 18
—Daily		
Gilt-Edged	147.9	134.6
Industries	206.9	171.7
Speculative	38.9	37.0
Totals	128.5	109.1
5-day Average		
Gilt-Edged	148.7	149.6
Industrials	199.8	194.6
Speculative	41.6	41.4
Totals	125.5	122.8

FT—ACTUARIES INDICES

	May 19	May 18	May 17	May 16	May 15	May 12	A Year ago
Industrial Group	208.85	212.39	211.41	211.56	212.76	212.63	182.69
500 Shares	232.51	236.05	235.37	235.50	236.09	236.32	208.38
Div. Yield %	5.44	5.36	5.37	5.37	5.36	5.34	5.57
P/E Ratio (net)	8.03	8.16	8.16	8.16	8.21	8.19	9.45
All Shares	214.58	218.00	217.47	217.13	218.52	218.06	191.47

CORAL INDEX: Close 470-475

INSURANCE BASE RATES

† Property Growth 9¼%
† Vanbrugh Guaranteed 8¼%
* Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 47¾% (based on $US1.8145 per £)

Conversion factor 0.6760 (0.6736)

CANADIANS

S.E. List Premium 47¾% (based on $2.0194 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. May	Falcon Rh.50c	168	3.4	Q50c	1.3	25.4
May	Rhod'n Corp. 16½p.	15	17.4	0.56	7.1	5.7
—	Roan Cons. K4	68	12.76	—	—	—
Dec. July	Tanganyika 50p	153	17.10	Q11.0	1.1	7.2
Jan. July	Do. Pref. 80p	89	12.12	Q9%	16.4	9.0
Nov. May	Wankie Col. Rh.1	35	17.6	†Q7½c	1.4	18.3
—	Zam.Cpr.SBD0.24	14½	11.74	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Acmex 25c	10	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	115	14.3	Q8c	1.4	4.4
—	BH South 50c	98	9.74	—	—	—
Oct. May	Conzinc Riotinto 50c	225	14.3	Q10c	2.2	2.8
—	G.M. Kalgoorlie $1	57	6.67	—	—	—
September	Hamptn Areas 5p	136	25.7	1.45	4.1	1.6
—	Metals Ex. 50c	26	—	—	—	—
Dec. Apr.	M.I.M. Hldgs. 50c	204	13.2	Q9c	1.7	2.7
—	Mount Lyell 25c	29	—	—	—	—
—	Newmetal 10c	5	—	—	—	—
June Nov.	North B. Hill 50c	111xd	15.5	Q8c	1.5	4.4
—	Nth. Kalgurli	12½	—	—	—	—
June Nov.	Oakbridge $A1	153	7.4	†Q11c	1.9	4.5
—	Pacific Copper	40	—	—	—	—
—	Pancont'l 25c	£12¾	—	—	—	—
—	Parinca M&Ex.5p	25	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	475	19.9	Q15c	4.0	2.0
Oct. May	Westn. Mining 50c	134	3.4	‡Q6c	1.4	‡
—	Whim Creek 20c	55	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	27	13.3	†2.51	1.6	14.1
Apr. Oct.	Ayer Hitam $M1	355	13.3	‡Q67c	0.9	‡
Apr. Oct.	Beralt Tin	60	8.8	3.75	ϕ	9.9
Jan. July	Berjuntai $M1	285	3.1	‡Q110c	ϕ	‡
Feb. Oct.	Geevor	145	16.1	h4.51	3.4	4.7
—	Gold & Base 12½p	9½	10.74	—	—	—
June Dec.	Gopeng Cons.	270	17.4	15.0	0.9	8.5
—	Hongkong	160	11.67	—	—	—
May Nov.	Idris 10p	87	17.4	12.0	ϕ	22.0
—	Jantar 12½p	11	4.67	—	—	—
—	Kamunting $M0.50	68	—	2015.5c	0.7	4.9
Jan. July	Killinghall	480	12.12	Q125	ϕ	26.0
April	Malay Dredging $M1	370	13.3	†Q95c	0.8	5.5
—	♦Pahang	66	9.75	‡Q3.75c	0.5	‡
Mar. Sept.	Pengkalen 10p	62	30.1	6.5	1.3	15.9
June. Jan.	Petaling $M1	200	12.12	m012½c	10.9	1.3
Mar. Oct.	Saint Piran	57	3.1	g1.99	4.6	5.3
February	South Crofty 10p	58	3.1	b4.13	1.5	10.8
Jan. July	South Kinta $M0.50	195	3.1	†Q77.8c	1.4	8.6
June Jan.	Sthn Malayan $M1	235	3.4	†Q131.3c	1.1	9.9
—	Sungei Besi $M1	209	—	—	—	—
—	Supreme Corp. $M1	75	9.74	ZQ10c	—	2.9
May Nov.	Tanjong 15p	93	17.5	6.5	ϕ	10.9
Sept. Mar.	Tongkah Hrbr. $M1	98	12.12	Q6.32%	1.6	12.5
Apr. Oct.	Tronoh $M1	210	13.3	ZQ88c	ϕ	9.0

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
June Dec.	Messina R0.50	77	12.12	‡Q30c	1.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mines 17½p.	16	5.75	—	—	—
Aug. Feb.	Cons. Murch. 10c	250	3.1	Q30c	2.6	7.2
November	Northgate C$1	365	30.9	—	—	—
Jan. June	R.T.Z.	216	2.5	9.5	2.8	6.7
—	Sabina Inds. C$1	46	—	—	—	—
—	Tara Exptn. $1	£10⅝	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	2.5	1.33	ϕ	4.5
October	Yukon Cons. C$1	167	15.9	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £460 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	272	......
Clover Croft	22	......
Craig & Rose £1	425	......
Dyson (R. A.) A.	34	−2
Ellis & McHdy.	62	......
Evans Fr'k.10p.	57#	......
Evered	16xd	+1
Fife Forge	50	......
Finlay Pkg. 5p.	20½	......
Graig Ship. £1	140	......
Higsons Brew.	82xd	......
I.O.M. Stm. £1	145	......
Holt (Jos.) 25p.	262	+12
N'thn. Goldsmith	55	......
Pearce (C. H.)	150xd	......
Peel Mills	20	......
Sheffield Brick	46xd	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	85	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£90½	−⅛
Alliance Gas	68xd	......
Arnott	345	+25
Carroll (P.J.)	88	......
Clondalkin	97	−3
Concrete Prods.	132	......
Heiton (Hldgs.)	40	......
Ins. Corp	148	......
Irish Ropes	120xd	......
Jacob	68	−1
Sunbeam	34	......
T.M.G.	185	......
Unidare	92	−3

OPTIONS
3-month Call Rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		I.C.I.	20	Tube Invest.	38
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	28	I.C.L.	29	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	21	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17	**Property**	
Beecham	35	Legal & Gen.	14	Brit. Land	3¼
Boots Drug	15	Lex Service	7	Cap. Counties	4½
Bowaters	16	Lloyds Bank	22	E.P.	5
B.A.T.	24	"Lots"	4	Intreuropean	4
British Oxygen	6	London Brick	5	Land Secs.	16
Brown (J.)	20	Lonrho	5	MEPC	12
Burton 'A'	12	Lucas Inds.	25	Peachey	8
Cadburys	5	Lyons (J.)	10	Samuel Props.	9
Courtaulds	10	"Mams"	7	Town & City	1¼
Debenhams	8	Mrks. & Spncr	13	**Oils**	
Distillers	15	Midland Bank	25	Brit. Petroleum	45
Dunlop	7	N.E.I.	12	Burmah Oil	5
Eagle Star	21	Nat. West. Bank	22	Charterhall	3
E.M.I.	14	Do. Warrants	10	Shell	28
Gen. Accident	17	P & O Dfd.	8	Ultramar	20
Gen. Electric	18	Plessey	8	**Mines**	
Glaxo	40	R.H.M.	5	Charter Cons.	12
Grand Met.	9	Rank Org. 'A'	18	Cons. Gold	14
G.U.S. 'A'	20	Reed Intnl.	12	Rio T. Zinc	16
Guardian	18	Spillers	3		
G.K.N.	22	Tesco	4		
Hawker Sidd.	20	Thorn	22		
House of Fraser	12	Trust Houses	15		

FINANCIAL TIMES
Monday May 22 1978

Architect, surveyor fee scales may go

By Elinor Goodman, Consumer Affairs Correspondent

SURVEYORS and architects may be forced to abandon their agreed fee scales. The Goverment is believed to be considering using its Order-making powers under the Fair Trading Act to make the two professions comply with the recommendations of the Monopolies Commission and so compete among themselves on price.

In November the Monopolies Commission concluded that the restrictions on price competition in the terms of membership of both the Royal Institution of Chartered Surveyors and the Royal Institute of British Architects operated against the public interest, and should be abandoned.

Since then the Office of Fair Trading has tried to persuade members of the two professions to co-operate voluntarily.

Some progress has been made, but aparently not enough to satisfy the Department of Prices.

For this reason the Government is considering forcing the changes on the professions, as it did on estate agents in 1968.

Court threat

Surveyors may be threatened with a reference to the Restrictive Practices Court.

Though surveying work as such is specifically exempted from the restrictive trade practice legislation, valuation work is thought not to be.

The Director-General of Fair Trading might argue before the court that the recommended scale of fees for valuations is an infringement of the law which prevents competitors agreeing prices without having first justified the agreement before the court.

The terms of membership of the two professional bodies differ from each other in certain important respects relating to fees, though the effect of them is, in the Monopolies Commission's view, much the same.

The architects' scale of minimum fees is traditionally mandatory, while that of the surveyors is only recommended. RIBA has agreed to change the status of its fee scale from mandatory to recommended, while the RICS has apparently said it will make some changes in its rules about fees.

But the Fair Trading Office has told both that the remaining terms of membership will continue to stop their members competing effectively on price.

In a report to the Department of Prices the Office is understood to have said that the changes so far agreed do not go far enough toward implementing the Monopolies Commission's recommendations, and that there seems little hope of a satisfactory voluntary agreement.

Stop multi-nationals demand Africans

BY ARNOLD KRANSDORFF

VIENNA, May 21.

AFRICAN DELEGATES to a special U.N. conference have called for measures designed to end the activities of multinational corporations operating in South Africa, Namibia (South West Africa) and Rhodesia.

Mr. Zimba Chabala of Zambia, speaking on behalf of African countries at the fourth session of the Commission on Transnational Corporations here, said that multi-nationals, their affiliates and subsidiaries in southern Africa, continued to sustain and support, "the racist minority regimes in the area."

They were actual partners in maintaining a system of racial discrimination and apartheid there.

He said: "The commission should take measures designed to terminate their activities and their collaboration with the racist minority regimes."

Mr. Emmanuel Okai Vanderpuye of Ghana considered that multi-nationals which collaborated with the South African regime in exploitation of natural resources in Namibia should be condemned.

Mr. Per Joeahl of Sweden noted that South Africa was now taking serious measures to increase its military capabilities and the inflow of foreign capital was enhancing these measures.

"International pressure against South Africa, including cessation of the inflow of foreign capital should be increased," he said.

Mr. E. A. Azikiwe of Nigeria called on all foreign investors in southern Africa to consider all Black workers employed by them to be equal partners.

Mr. Joachim Koch of the Federal Republic of Germany, speaking on behalf of the EEC, expressed the Community's resolve to bring about peaceful change and improvement of working and labour conditions for the indigenous majority of southern Africa's population.

The EEC Governments were intending to do it by using their ties with the South African Government.

The delegates were speaking during a debate on the activities of multi-nationals in southern Africa—particularly in the banking and financial sectors—and their impact on social and cultural affairs and employment practices.

Mr. Pik Botha, the South African Foreign Minister, will brief his country's European ambassadors in London today. The South African Foreign Ministry said that Mr. Botha would return to Pretoria on Tuesday.

In an in-depth study on the subject the UN Centre on Transnational Corporations concludes that there is no evidence that the presence of multinationals in the area has helped to erode the apartheid system.

Its report says that the rate at which new equity capital is entering South Africa appears to be levelling off since 1976 owing to the decrease of flow of capital from the U.S., UK and the Federal Republic of Germany.

Few firms are withdrawing but many appear to limit their expansion to rates supportable by local earnings. A few, notably some of the major international oil companies, have announced plans to expand. In the banking sector, little change is apparent, the report states.

The report also concludes that, on employment, multi-nationals are generally indistinguishable from South African corporations. Consequently, the argument that the continuing presence of multinationals is necessary to maintain employment of Black workers and provide pressure for existing employment conditions is not found to be convincing.

Mr. Klaus Sahlgren, the UN centre's executive director, said that multi-nationals had only limited impact on Black employment opportunities, wage levels and trade unionism for Blacks in the area. They had not been able to moderate the repressive social and legal system of apartheid, he added.

Tomorrow, the commission expects to get down to the other controversial subject on the agenda, that of recommending new disclosure guidelines—both financial and "social"—for multi-national companies around the world.

Leyland in talks on new joint £27m foundry

By Arthur Smith, Midlands Correspondent

BRITISH LEYLAND, which plans a new £27m foundry, has started talks with private sector companies on funding the project.

Birmid Qualcast seems the most likely candidate but Leyland would probably have a dominant interest in any partnership.

Leyland's decision to go ahead is in spite of a cut of more than half in foundry investment in the next five years.

Prospects are receding for a joint venture with the private sector, to provide a new £30m ferrous foundry in Lancashire, for Leyland vehicles. It is feared that such a project, coupled with the success of the Government's industry aid scheme to stimulate modernisation of the industry, would lead only to further surplus capacity.

Leyland Vehicles, formerly the truck and bus group, is reviewing its plans and might look to co-operation with Leyland Cars to meet future requirements.

Investments scheduled for Leyland Cars' six foundries has been cut from £109m to £46m at 1977 prices. The main casualty was a new ferrous foundry on a green field site at Wellingborough.

Plants originally considered suitable for closure are likely to be reprieved at least in the medium term. The funds available will do little more than bring the existing foundries up to the legal environmental and safety standards now demanded.

But industry sources believe that in spite of the £46m limitation Leyland will press ahead with an aluminium processing plant on a greenfield site close to West Yorkshire foundries in Leeds.

The company, which already accounts for 6 per cent of aluminium foundry capacity, is aware of the need to be involved in new technology.

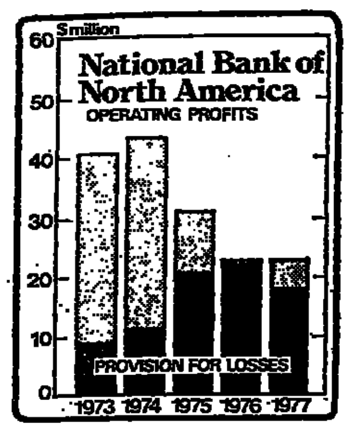
The foundry is likely to have capacity of about 18,000 tonnes a year to respond to the trend towards greater use of light metal components, particularly the aluminium cylinder head.

Apart from the technical advantages of aluminium components they have a high added value which gives Leyland the opportunity of higher profit margins from in-house production.

THE LEX COLUMN

The banks clear a tax hurdle

The clearing banks are not going to be pushed through a backdoor route to greater disclosure, after all. They held up the draft accounting standard on deferred tax for six months, but the clearers have now suddenly withdrawn all opposition and informed the Accounting Standards Committee that they have found a solution to their problems. A belated brainwave means that the clearers will not be forced into what they regard as premature disclosure of general provisions for bad and doubtful debts. Instead the big banks are to establish a top-level committee to consider the overall question of bank accounting and disclosure.



The accounting standard—which will now become SSAP 15 within a few months—calls for disclosure in notes to the accounts of the major components making up the total amount of potential deferred tax. For normal companies these liabilities arise from so-called timing differences: items such as accelerated depreciation and stock relief are included in accounts for a period different from that in which they are dealt with for taxation. In the case of the clearing banks, however, it was thought that a third factor—the general provisions for bad and doubtful debts, which are not tax deductible until debts actually prove bad—would have to appear as a deferred tax *asset*. By grossing up this amount it would be possible for anyone to establish the amount of a particular bank's general provision.

Prudent silence

At first the banks appear to have believed that the ASC would simply make theirs a special case — like that of the property companies.. In a letter to the committee back in August 1977, for example, they pointed out that "for reasons of banking prudence, and with the approval of the banks' auditors these figures (general bad debt provisions) are not at present disclosed and it is strongly believed that to do so would be inappropriate and undesirable, particularly while the banks' international competitors are not also compelled". However, by the time the Big Four clearers came to discuss their objections with the ASC a few months ago they were no longer united, and the meeting achieved nothing.

At this stage, according to one reliable source, the clearers decided to call in their auditors, and quickly devised an answer to the deferred tax problem. Essentially, this means that in future the clearers will look upon their general bad debt provisions as permanent tax differences rather like entertaining expenses—deferred tax assets which will never be recovered from the Inland Revenue simply because, the logic goes, they will never fall. Consequently, banks will only disclose potential tax liabilities for stock and capital allowances. In the profit and loss account, additions to general provisions will still be charged above the line. Auditors say these additions will not have to be disclosed because they are never likely to be material. And some vaguely worded note will comply with the Companies Act requirement for the disclosure of any special features affecting the tax charge for the year.

Apparently the banks and their auditors are happy with this outcome. A less enthusiastic response can be expected, however, from the Price Commission, which last month called on the clearers to come clean about their full profits and general provisions. To a more general audience, too, the banks' stubborn refusal to disclose their bad debt provisions is making them look increasingly fuddy-duddy. What have they got to hide, apart from bad management?

American banks have been disclosing bad debt provisions for years and have come to no harm. Take, for example, the National Bank of North America, which NatWest plans to buy. Over the last three years 80 per cent of its operating profits have been siphoned off into provisions for loan losses but there was never any suspicion of a "run on the bank" as depositors took flight on the news. It remains a perfectly sound bank and NatWest appears to be quite happy about paying a premium of two-thirds over net worth for its 75 per cent stake.

While some UK banks are still nervously wondering whether to shed a little more light on their loan loss provisions, one U.S. bank, Citibank, thinks that the whole idea of a reserve for possible loan losses should be scrapped. Its policy is to provide for current loan losses out of current earnings and it sees no good reason why other banks should not do the same. No doubt the UK clearing banks could think of a few.

Even the building societies disclose their provisions for anticipated mortgage losses and actual losses. Last year, for example, Britain's biggest building society, the Halifax, lost £38,724 on its £5.2bn mortgage portfolio. If the banks could produce figures like that they would not be dragging their feet.

NatWest's ratios

National Westminster Bank describes its $200m sortie into the Eurobond market as part of its regular capital raising operations but there is more to it than meets the eye. Though the bank's $300m deal to buy 75 per cent of the National Bank of North America is not yet in the bag, NatWest is aware that if successful the deal will put considerable pressure on its relatively low capital ratios and it is keen to minimise the impact.

Judged solely by its gearing, NatWest comes out best of all the clearers. Even after the extra £110m of debt, its gearing will be roughly in line with Barclays and below that of Midland, notwithstanding the latter's recent £96m rights issue. However, its free capital and free equity ratios are the lowest of all the clearers and since it is saddling itself with some £60m of goodwill and inheriting another £1.5bn in deposits, as a result of the acquisition, there has been an obvious need for extra capital.

Assuming the deal goes through NatWest's free capital ratio would have slipped from 2.5 per cent to around 2.0 per cent. With the additional financing, the free capital ratio is now improved slightly to 2.6 per cent. However, the free equity ratio has moved out of line. This now slips from 1.6 per cent to 1.2 per cent (admittedly no account being taken for deferred tax), which compares with an average of 1.9 per cent at the other big banks.

General Motors 5% pay ceiling on its top men

BY DAVID LASCELLES

NEW YORK, May 21.

IN AN eye-catching move supporting President Carter's anti-inflation drive General Motors, the biggest company in the U.S., has said it will put a ceiling of 5 per cent. on pay rises for its top executives this year.

This is the level set for country wide salary increases by the Council on Wage and Price Stability, which is seeking voluntary co-operation of business and industry to contain price rises, which show signs of accelerating again.

Making the announcement at the company's annual meeting, Mr. Thomas Murphy, the chairman said that it would "evaluate" the discretionary pay increases to which some 135,000 other employees might be entitled.

This gesture by the large carmaker could give a boost to Mr. Carter's appeal for voluntary pay restraint, particularly since it counters the common complaint that pay curbs fall hardest on middle- and low-income workers.

Union cool

Initial reaction was sceptical. For a start, General Motors conceded that the 5 per cent. ceiling would apply to only 50 of the company's several hundred thousand employees, and all those 50 already earn several hundred thousand dollars a year.

The United Auto Workers, the main labour union at GM, also reacted coolly. Mr. Douglas Fraser, their president, said that if the company was really serious about containing inflation, it should limit the "excessive price increases" it was passing on to the American carbuyer. The average price of its 1978 models had gone up by $600, he said.

Mr. Murphy had claimed earlier at the meeting that the company's contract with its hourly-paid employees would raise labour costs by about 10 per cent this year. He said that unless productivity increased there would be no way of reducing the cost of producing a car.

UK decides to retain IMF $4.1bn standby credit facility

BY DAVID FREUD

THE GOVERNMENT has decided to retain the $4.1bn standby credit from the International Monetary Fund until January 2—the date originally set for its termination.

Treasury officials are understood to have agreed new terms for keeping the right to the credit with an IMF team which has been in London for the last week or so. The talks have been concluded.

A letter of intent from Mr. Denis Healey, the Chancellor, setting out the details of the agreement, is likely to be published within a fortnight.

The credit was originally made available during the financial crisis at the end of 1976. The Government signed a letter of intent agreeing to restrictive monetary policies, the guidelines of which were reaffirmed last December.

In the improved financial atmosphere prevailing earlier this year the Government was considering cutting loose prematurely from the standby.

But the nervous state of the foreign exchange markets lately made such a move unattractive because of its possible harmful effects on confidence.

The decision to continue with the standby was made easier because no real economic constraints are attached. The IMF terms are likely to have been substantially met in the Budget.

The agreement with the IMF team is likely to have extended the ceilings set earlier on public sector borrowing and domestic credit expansion.

The Chancellor has set an effective limit of £8.5bn. on public borrowing in 1978-79 and his forecast for DCE is £6bn.

These two figures are almost certainly within the fund's requirements. The only way in which Mr. Healey's letter is likely to go beyond present stated policy is by transforming the DCE forecast into a ceiling.

Continued from Page 1

European volunteers to stay

French paratroopers arrived and the rebels dispersed.

Most of the dead were Europeans and five Britons are among those feared to have been killed. Two British children who were reported missing later turned up in Kinshasa, apparently rescued by Belgian troops.

Mr. Kevin Press, a 34-year-old British metallurgical engineer with Gecamines, the Zairean state mining concern, said "within 10 minutes of the French landing, all shooting had stopped."

He and his botanist wife and their three small sons who had souvenir bullets to show journalists were "very lucky to escape."

Mr. Press, who had worked in Africa for 13 years, said: "I would want to consider very carefully my family's interests before going back to Zaire."

He doubted whether Gecamines could operate without the numerous Europeans it employs on contract. Gecamines gets nearly half its copper and more than half its cobalt from its Kolwezi operation, he said.

Belgian officials here say the numbers of French killed or missing appeared to be "out of proportion" to their relative numbers in Kolwezi.

All refugees, however, agreed that the systematic killing of whites started suddenly on Wednesday. Before that the rebels had fraternised with the Europeans. Some whites were caught in the cross-fire between Zairean Government and rebel forces.

Several refugees criticised the fact that anyone with a radio in Kolwezi had known the French and Belgian paratroops were coming well before they arrived. It is still not clear whether this was why the killing was suddenly increased.

Kolwezi's white population was caught completely unaware by the fighting which broke out on May 13 at 6 a.m. "We were all asleep, and my first thought was that an ammunition dump had gone up," Mr. Press said. He contrasted this with last year's invasion of Shaba. "Last year the fighting came gradually towards us from Dilolo, this time it started in Kolwezi itself."

Weather

UK TODAY

MOSTLY dry. Sunny spells.

London, Cent. S., S.W. England, Midlands, Channel Islands, S. Wales

Mostly dry. Bright or sunny spells. Near normal. Max. 16-18C (61-64F).

S.E. England, E. Anglia

Cloudy. Rain near coasts. Rather cool. Max. 14C (57F).

E. Cent., N., N.E. England, Borders, Edinburgh, Dundee

Cloudy, rain near coasts. Rather cool. Max. 12C (54F).

N. Wales, N.W. England, Lake District, Isle of Man

Mostly dry. Sunny spells. Near normal. Max. 15-17C (59-63F).

Rest of Scotland, N. Ireland

Mainly dry. Near normal. Max. 10-13C (50-55F).

Outlook: Some rain. Sunny spells. Becoming cool.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	C	12	54	Luxembrg.	C	13	55
Athens	S	25	77	Madrid	R	9	48
Bahrain	S	33	91	Manchstr.	C	13	55
Barcelona	R	15	59	Melbourne	C	15	59
Belgrade	S	24	75	Milan	R	14	57
Beirut	S	23	73	Montreal	S	19	66
Belfast	S	16	61	Moscow	S	17	63
Belgrade	S	24	75	Munich	F	19	66
Berlin	C	20	68	Newcastle	C	12	54
B'rmghm.	C	13	55	New York	S	19	66
Bristol	S	15	59	Oslo	S	21	70
Brussels	C	12	54	Paris	C	12	54
Budapest	C	22	72	Perth	R	16	61
B. Aires	S	19	66	Prague	F	17	63
Cairo	S	34	93	Reykjavik	C	7	45
Cardiff	S	14	57	Rio de J'o	S	25	77
Chicago	S	24	75	Rome	F	26	79
Cologne	F	13	55	Singapore	S	29	84
Copnhagn.	F	21	70	Stockholm	S	23	73
Dublin	S	15	59	Strasbrg.	S	18	64
Edinburgh	S	15	59	Sydney	R	18	64
Frankfurt	F	15	59	Tehran	S	30	86
Geneva	F	16	61	Tel Aviv	S	24	75
Glasgow	S	17	63	Tokyo	C	20	68
Helsinki	F	18	64	Toronto	S	20	68
H. Kong	C	27	81	Vienna	S	20	68
Jo'burg	S	25	77	Warsaw	F	24	75
Lisbon	F	17	63	Zurich	F	17	63
London	C	12	54				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	S	20	68	Jersey	S	14	57
Algiers	S	21	70	Las Plms.	F	21	70
Biarritz	C	15	59	Locarno	R	13	55
Blackpool	F	14	57	Majorca	F	21	70
Bordeaux	R	16	61	Malaga	F	21	70
Boulogne	C	9	48	Malta	S	24	75
Casblnca.	C	17	63	Nairobi	S	24	75
Cape Tn.	R	17	63	Naples	S	26	79
Corfu	S	24	75	Nice	C	20	68
Dubrovnik	C	19	66	Nicosia	F	24	75
Faro	F	20	68	Oporto	F	17	63
Florence	C	22	72	Rhodes	S	24	75
Funchal	F	19	66	Salzburg	F	23	73
Gibraltar	C	18	64	Tangier	C	17	63
Guernsey	S	14	57	Tenerife	C	15	59
Innsbruck	C	19	66	Tunis	C	21	70
Inverness	S	13	55	Valencia	F	21	70
Is. of Man	S	14	57	Venice	R	15	59
Istanbul	F	20	68				

F—Fair. S—Sunny. R—Rain. C—Clouds.

'No extension of Lib-Lab pact'

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER has been warned by Mr. David Steel, Liberal leader, that the prospects for renewing the Lib-Lab pact beyond the summer are nil, but the possibility of Liberal support for another minority Labour administration after a General Election has already been raised.

Mr. Steel, addressing the Liberal Party Council in Peterborough at the week-end, launched what many MPs will regard as highly premature public bargaining and laid down his key conditions for guaranteeing support after an indecisive election.

Predictably, top of the list is electoral reform, and the means the Liberals will seek to achieve some form of proportional representation will be a national referendum. They are convinced there would be a substantial majority in favour of reform.

Mr. Steel speaking on Saturday, also looked forward to the next Government developing "a coherent prices and incomes policy, tax reform, regeneration of health, social and educational services, improved industrial relations and the protection of civil liberties."

At no time did he talk specifically of supporting a Labour Government without an overall majority, but there is no doubt this is the likely pattern he sees.

The prospect has been strengthened by the closing of the lead the Conservatives held in the opinion polls and by Labour's revival in Scotland at the expense of the Nationalists.

Mr. Steel has made it clear in private talks with Mr. Callaghan after the Finance Bill reverses that there is no danger of the Liberals withdrawing from the pact before the summer Parliamentary recess at the end of July.

The importance of this for Mr. Callaghan was underlined at the weekend with the news of the death of Mr. John Mendelson, Labour MP for Penistone.

This means that Labour is now in a Commons minority of 18 against all other parties—an untenable position were it not for the pact.

Worker-director row may flare this week

BY OUR LABOUR EDITOR

THE controversy about worker directors is expected to flare up again this week as the Government launches its industrial democracy proposals in a White Paper tomorrow.

An anticipatory salvo was fired yesterday by the Institute of Directors, which said that the proposals would mean accelerating unemployment and a declining standard of living for "every man, woman and child in the land."

Mr. Jan Hildreth, director-general of the Institute, said in a letter to 30,000 directors that a conflict between Government and industry "would inevitably follow" realisation of the plans.

He warned against what he called "destructive meddling" and "another attack on business effectiveness."

Tomorrow's White Paper, to be launched by the Prime Minister, will propose a statutory obligation on companies to consult trade unions before decisions are made.

After three or four years, union representatives could go on to claim one-third of the seats on the upper tier of a two-tier Board. Non-unionists would have some rights of appeal.

After the Retreat from Bullock, Page 25

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